

East Jefferson General Hospital and Related Organizations

Combined Financial Report

12.31.2009

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 7/14/10

McGladrey & Pullen
Certified Public Accountants

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McGladrey & Pullen

Certified Public Accountants



Independent Auditor's Report

To the Board of Directors
East Jefferson General Hospital
Jefferson Parish, Louisiana

We have audited the accompanying combined basic financial statements of East Jefferson General Hospital and related organizations (the Organization) (Jefferson Parish Hospital Service District No. 2, is a component unit of Jefferson Parish, Louisiana) as of and for the years ended December 31, 2009 and 2008 as listed in the table of contents. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these combined basic financial statements based on our audits. We did not audit East Jefferson Radiation Oncology, LLC for the years ended December 31, 2009 and 2008, which represents 1.4% and 2.0% of the assets and 4.2% and 3.8% of the revenue, respectively, of the combined financial statements. We did not audit East Jefferson Ambulatory Surgery Center, LLC for the years ended December 31, 2009 and 2008, which represents 1.0% and 0.9% of the assets and 1.6% and 1.8% of the revenue, respectively, of the combined financial statements. We did not audit the pension trust fund statements of East Jefferson General Hospital for the years ended December 31, 2009 and 2008 which represent 100% of the assets and additions of the pension trust fund. Those financial statements were audited by other independent auditors whose report thereon has been furnished to us and, our opinion on the combined basic financial statements is based solely upon the reports of the other independent auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of East Jefferson Ambulatory Surgery Center, LLC, PET Scan Center of East Jefferson, LLC, East Jefferson Radiation Oncology, LLC, East Jefferson Physicians Group, LLC, East Jefferson Cardiovascular Venture, LLC, East Jefferson General Surgery Co-Management Company, LLC and East Jefferson Orthopedic Co-Management Company, LLC were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our report and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of East Jefferson General Hospital and related organizations, a component unit of Jefferson Parish, Louisiana, as of December 31, 2009 and 2008, and the changes in their financial position and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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In accordance with *Government Auditing Standards*, we have also issued our reports for the years ended December 31, 2009 and 2008 dated April 29, 2010 and April 27, 2009, respectively, on our consideration of the East Jefferson General Hospital and related organizations' internal control over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 9, the Retirement Plan schedule of funding progress on page 51 and the Other Postemployment Benefit Plan schedule of funding progress on Page 52 are not a required part of the combined basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming opinions on the combined basic financial statements that collectively comprise the Organization's combined basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the combined basic financial statements. The combining and other supplementary information for the years ended December 31, 2009 and 2008 has been subjected to the auditing procedures applied in the audit of the combined basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the combined basic financial statements taken as a whole.

The accompanying Hospital statistics, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the combined basic financial statements. This information has not been subjected to the auditing procedures applied in our audit of the combined basic financial statements, and accordingly, we express no opinion on them.

McGladrey & Pullen, LLP

Davenport, Iowa
April 29, 2010

Arthur, Smith, Rong & Hurd

Metairie, Louisiana
April 29, 2010

**East Jefferson General Hospital
and Related Organizations**

**Management's Discussion and Analysis
Years Ended December 31, 2009 and 2008**

Management's discussion and analysis of East Jefferson General Hospital (EJGH), Jefferson Parish Hospital Service District No. 2, a component of Jefferson Parish, Louisiana and related organizations' (the Organization) financial performance provides an overall review of the Organization's activities for the years ended December 31, 2009 and 2008. The intent of this discussion is to provide an overview of the Organization's performance for the years and should be read in conjunction with the Organization's combined basic financial statements and notes thereto.

EJGH operates a 448-bed general acute care hospital and physician practices located in Metairie, Louisiana. EJGH serves the citizens of the greater New Orleans area and particularly residents of the East Bank of Jefferson Parish.

The combined basic financial statements also include PET Scan Center of East Jefferson, LLC, which operates a PET Scan facility; East Jefferson Physician Network, LLC which was used to acquire several physician practices; East Jefferson Ambulatory Surgery Center, LLC, which operates an ambulatory surgery center; East Jefferson Radiation Oncology, LLC, which operates a radiation oncology center; East Jefferson Cardiovascular Venture, LLC, which was expected to operate a catheterization lab, EJCVC was dissolved in 2008; East Jefferson Physicians Group, LLC, which operates various clinic practices, and East Jefferson General Surgery Co-Management Company, LLC and East Jefferson Orthopedic Co-Management Company, LLC.

Financial Highlights

The assets of the Organization exceeded its liabilities by \$227,743,000 and \$237,798,000 (net assets) as of December 31, 2009 and 2008, respectively.

The Organization's total assets decreased by \$17,370,000 or 3.4% from December 31, 2008 and \$19,453,000 or 3.7% from December 31, 2007.

The Organization's total liabilities decreased by \$7,315,000 or 2.7% from December 31, 2008 and \$8,573,000 or 3.1% from December 31, 2007.

Overview of Financial Statements

The audited financial statements include the combined basic financial statements: Combined Balance Sheets, Combined Statements of Revenue, Expenses and Changes in Net Assets, and Combined Statements of Cash Flows plus the Notes to the Combined Basic Financial Statements.

Our financial position is measured in terms of resources (assets) we own and obligations (liabilities) we owe at a given date. This information is reported in the Combined Balance Sheets, which reflects the Organization's assets in relation to its debts to bondholders, suppliers, employees and other creditors. The excess of our assets over our liabilities is reported as Net Assets.

Information regarding the results from operations during the year is reported in the Combined Statement of Revenue, Expenses and Changes in Net Assets. This statement shows how much our net assets increased or decreased during the year as a result of our operations, nonoperating activities and other changes.

**East Jefferson General Hospital
and Related Organizations**

**Management's Discussion and Analysis
Years Ended December 31, 2009 and 2008**

The Combined Statement of Cash Flows discloses the flow of cash resources into and out of the Organization during the year. It identifies all cash received during the year from operating activities, contributions and other sources, and how we applied those funds (for example, payment of expenses, repayment of debt, purchases of new property and equipment, additions and deletions to the investment accounts and transfers to related entities).

The Notes to Combined Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the Combined Basic Financial Statements.

Condensed Combined Statements of Revenue, Expenses and Changes in Net Assets

A summary version of the Statements of Revenue, Expenses and Changes in Net Assets for the years ended December 31, 2009, 2008 and 2007 follows:

	Year Ended December 31,		
	2009	2008	2007
	(Dollars in Thousands)		
Net patient revenue	\$ 348,487	\$ 327,327	\$ 313,650
Other operating revenue	4,942	5,287	5,081
Total operating revenue	353,429	332,614	318,731
Nonoperating revenue	8,258	22,288	22,413
Total revenue	361,687	354,902	341,144
Expenses:			
Salaries, wages and benefits	173,370	171,114	161,700
Purchased services and other	104,241	98,954	101,202
Supplies	55,493	54,605	51,523
Depreciation and amortization	24,720	24,506	24,016
Interest	8,946	9,590	9,925
Total operating expenses	366,770	358,769	348,366
Nonoperating expenses	2,419	3,683	1,470
Total expenses	369,189	362,452	349,836
Excess of revenue over (under) expenses before transfers and minority interest	(7,502)	(7,550)	(8,692)
Transfers to Jefferson Parish	(1,194)	(2,067)	(2,086)
Minority interest in net (income) of related organizations	(1,359)	(1,263)	(1,377)
Change in net assets	(10,055)	(10,880)	(12,155)
Net assets:			
Beginning	237,798	248,678	260,833
Ending	\$ 227,743	\$ 237,798	\$ 248,678

**East Jefferson General Hospital
and Related Organizations**

**Management's Discussion and Analysis
Years Ended December 31, 2009 and 2008**

Operations

Year Ended December 31, 2009: Operations of the Hospital remained relatively stable in the current year. The Hospital initiated a comprehensive strategic planning process focusing on organizational growth, quality of services, constituent satisfaction and financial stability. Organizational growth through increased outpatient services was furthered by the acquisition of an outpatient imaging center and the addition of physicians to the East Jefferson Physician Group. Focus on improving quality and satisfaction have allowed the Hospital to experience shorter lengths of stay while increasing satisfaction ratings.

We continue to work with the State and Federal Governments to resolve financial matters on Community Disaster Loan forgiveness.

Total operating revenues increase by \$20,815,000. This is primarily the result of improved inpatient throughput (decreased lengths of stay), increased outpatient services and an increase in state funding through Social Services Block Grant revenues.

Operating expenses increased by \$8,001,000, which were primarily volume related. Purchased Services increased \$5,000,000 due to volume-driven Anesthesia professional fees, collection agency fees and new costs for EJPG. Salaries, Wages and Benefits increased by \$2,000,000. Increased supply costs of \$1,000,000 were related to orthopedic volumes and an increase in implant costs incurred by the Hospital.

The excess of revenue over (under) expenses before transfers and minority interest for the year ended December 31, 2008 was \$(7,550,000) and for the year ended December 2009 was \$(7,502,000).

Year Ended December 31, 2008: The entire health care community in the Greater New Orleans Region continues on a slow track of recovery to return Hospital based health care to normal financial operations and conditions that existed prior to Hurricane's Katrina and Gustav. The hospital market continues to see many health care facilities remain closed and the lack of adequate funding from local state and federal agencies which contributes to the continued operating losses incurred by health care providers. We continue to work closely with Congress and the State to resolve financial matters on Community Disaster Loan Forgiveness, payments due the Hospital from the Federal Emergency Management Agency, Social Services Block Grants Funding and adequate funding to cover higher wages in the New Orleans area. The higher cost of labor and living expenses continue as a major contributing factor to the operating loss incurred by EJGH's full service acute hospital in these challenging economic times.

Total operating revenues increased by \$13,883,000. This is primarily due to increased outpatient volumes and procedures in clinics, emergency rooms and with our Joint Ventures. Improvements also were made in more timely and complete charge capture and accurate coding and processing. Also, a reduction in the overall Medicare Acute length of stay and an increase in the acuity of these patients assisted in improving patient revenue.

Operating expenses increased by \$10,403,000. This is primarily due to increased salaries, wages and benefits in the Greater New Orleans Market and the competition for skilled labor and the cost of doing business. Supplies expense increased by \$3,082,000, principally for implant devices. No other significant increases were noted.

**East Jefferson General Hospital
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**Management's Discussion and Analysis
Years Ended December 31, 2009 and 2008**

The excess of revenue over (under) expenses before transfers and minority interest for the year ended December 31, 2007 was \$(8,692,000) and for the year ended December 2008 was \$(7,550,000). This is a result of the impact of recording the change in the fair value of the interest rate swap agreement of \$(2,328,000), a reduced loss from operations of \$3,480,000, a decrease in investment earnings of \$(2,149,000) and grant revenue in 2008 of \$541,000.

Condensed Combined Balance Sheets

Condensed versions of the Balance Sheets as of December 31, 2009, 2008 and 2007 follow:

	December 31,		
	2009	2008	2007
	(Dollars in Thousands)		
Assets:			
Current assets	\$ 125,410	\$ 123,177	\$ 128,811
Assets limited as to use, noncurrent	146,728	156,918	158,785
Capital assets, net	210,864	221,408	231,171
Other assets	8,190	7,058	9,247
Total assets	\$ 491,192	\$ 508,561	\$ 528,014
Liabilities:			
Current liabilities	\$ 43,892	\$ 48,810	\$ 52,263
Long-term debt	198,772	204,190	210,938
Retirement benefits, noncurrent	899	612	341
Other liabilities, noncurrent	19,886	17,151	15,794
Total liabilities	\$ 263,449	\$ 270,763	\$ 279,336
Net Assets:			
Invested in capital assets, net of related debt	\$ 67,719	\$ 70,048	\$ 83,570
Restricted under bond indenture	27,569	28,841	29,259
Unrestricted	132,455	138,909	135,849
Total net assets	\$ 227,743	\$ 237,798	\$ 248,678

Long-term debt consists of several revenue bond issues issued in 1993, and 1998, a Community Disaster Loan, a Capital lease (EJRO), and notes payable to the bank (EJASC). The Organization continues to make all annual and semi-annual debt service payments in compliance with these bond indentures. There are no current plans to issue additional debt or defease any existing debt, other than already in place as of December 31, 2009. Please see the Notes to Combined Basic Financial Statements for additional information.

December 31, 2009: Current assets decreased in 2009 by \$2,232,047, primarily due to a reduction of net patient accounts receivable of \$2,642,000.

December 31, 2008: Current assets decreased in 2008 by \$5,634,000, primarily due to a decrease in short-term investments of \$8,674,444, reduction of net patient accounts receivable of \$7,091,000 and reduction in cash and cash equivalents of \$6,926,000.

**East Jefferson General Hospital
and Related Organizations**

**Management's Discussion and Analysis
Years Ended December 31, 2009 and 2008**

Condensed Combined Statements of Cash Flows

	Year Ended December 31,		
	2009	2008	2007
	(Dollars in Thousands)		
Cash provided by (used in) operating activities	\$ 20,894	\$ 8,853	\$ (5,671)
Cash (used in) capital and related financing activities	(28,556)	(27,020)	(35,950)
Cash (used in) non-capital financing activities	(2,558)	(4,404)	(4,009)
Cash provided by investing activities	3,930	23,707	57,093
Net increase (decrease) in cash	(6,290)	1,136	11,463
Cash and cash equivalents:			
Beginning	16,595	15,459	3,996
Ending	\$ 10,305	\$ 16,595	\$ 15,459

Year Ended December 31, 2009: Cash provided by operating activities increased by \$12,041,000 over the prior year. In addition, cash used in capital and related financing activities decreased by \$1,498,000 reflecting a decreased expenditure for capital assets in 2009. Cash and cash equivalents decreased over the prior year by \$6,290,000.

Year Ended December 31, 2008: Cash provided by operating activities increased by \$14,524,000 over the prior year. In addition, cash used in capital and related financing activities decreased by \$8,930,000 reflecting a decreased expenditure for capital assets in 2008. Cash and cash equivalents increased over the prior year by \$1,136,000.

**East Jefferson General Hospital
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**Management's Discussion and Analysis
Years Ended December 31, 2009 and 2008**

Capital Assets

December 31, 2009: As of December 31, 2008 the Organization had \$210,864,000 invested in capital assets. Capital expenditures in 2009 were approximately \$10,400,000 less than 2009 net of depreciation expense resulting in a decrease of capital assets from 2008 to 2009.

December 31, 2008: As of December 31, 2008 the Organization had \$221,408,000 invested in capital assets. Capital expenditures in 2008 were approximately \$9,763,000 less than 2008 net of depreciation expense resulting in a decrease of capital assets from 2007 to 2008.

	December 31,		
	2009	2008	2007
	(Dollars in Thousands)		
Capital assets not being depreciated:			
Land	\$ 12,873	\$ 12,873	\$ 12,873
Construction in progress	3,928	2,202	12,533
Capital assets net of depreciation:			
Land improvements	1,930	2,058	1,884
Buildings	131,008	136,562	131,456
Fixed equipment	29,174	32,075	35,592
Major movable equipment	31,950	35,630	36,810
Minor equipment	1	8	23
Total capital assets, net	\$ 210,864	\$ 221,408	\$ 231,171

Additional information on the Organization's capital assets can be found in Note 6 of this report.

Long-Term Debt

Long-term debt consists of two revenue bond issues, described in more detail in the Notes to Combined Basic Financial Statements. The principal balance on the outstanding bonds was \$129,855,000, \$136,670,000 and \$146,135,000 as of December 31, 2009, 2008 and 2007, respectively. The decrease is attributable to principal payments on the bonds and payments on capital lease obligations.

Long-term debt also consists of a Community Disaster Loan of \$61,025,000, notes payable to the bank of \$1,880,000 and capital lease obligations of \$11,410,000.

Additional information on the Organization's long-term debt can be found in Note 7 of this report.

**East Jefferson General Hospital
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**Management's Discussion and Analysis
Years Ended December 31, 2009 and 2008**

Economic Factors

Year Ended December 31, 2009: The New Orleans Metropolitan Service Area economy was fairly stable in 2009 with projected job losses of approximately 3,000 (-0.06%). These job losses are anticipated to be offset by job gains in fiscal year 2010 of approximately 6,000 (1.1%). The Hospital's inpatient volume was fairly stable for the fiscal year with a slight decline in admissions of approximately 0.3%. Outpatient revenue grew by approximately 2.59% over fiscal year 2008. This shift in volume and revenue from the inpatient to the outpatient setting is consistent with current healthcare industry trends.

In response to budget shortfalls, The Louisiana Department of Health and Hospitals reduced Medicaid payments for hospital services by 3.5% in February 2009 followed by a 6.3% reduction in August 2009.

The Hospital is proactive in its preparation for the uncertainty of recently enacted Federal Healthcare Reform Legislation and anticipated future Payment Reform initiatives. Specifically, through implementation of strategic initiatives developed in the second half of 2009, the Hospital is focused:

- Hospital/Physician alignment,
- growing high-margin services,
- net patient service revenue growth through revenue cycle improvements,
- improved quality,
- improved constituent satisfaction,
- improved productivity, and
- reduced cost.

Year Ended December 31, 2008: 2008 has brought a change to the New Orleans area economy. While the first half of 2008 experienced robust improvements in many industries, the latter half of 2008 resulted in dramatic changes in economic conditions. In September there were two Hurricanes, Gustav and Ike, that significantly impacted operations negatively. The large drop in the capital markets since August saw many companies' portfolios and individuals' investments experience a significant drop. This change resulted in trends toward declining volumes in late 2008. Because the Organization is limited to investing in Treasury securities, the Organization actually experienced significant investment gains during this period as the demand for the Treasury securities we owned increased. However, with regards to the investments held in the retirement plans, there was significant decline in values.

During 2008 the Organization continued to work with state and federal authorities to pursue CDL loan forgiveness, additional FEMA reimbursements and catch-up payments for the wage index adjustments paid by Medicare. No significant progress was seen. Due to the presidential elections in the fall of 2008 and the resulting change in the Federal Administration, many decisions were delayed.

Financial Information Contact

The Organization's combined basic financial statements are designed to provide a general overview of the Organization's finances for all those with an interest in the Organization's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to East Jefferson General Hospital.

**East Jefferson General Hospital
and Related Organizations**

**Combined Balance Sheets
December 31, 2009 and 2008**

Assets	2009	2008
Current Assets:		
Cash and cash equivalents (Note 4)	\$ 7,333,500	\$ 8,533,056
Short-term investments (Note 4)	56,619,057	50,181,792
Receivables:		
Patients, net (Note 5)	37,246,817	39,888,756
Other	1,930,930	1,154,419
Assets limited as to use, current portion (Note 4)	7,839,907	10,880,871
Inventories	7,534,664	7,175,623
Prepaid expenses	6,904,921	5,363,232
Total current assets	125,409,796	123,177,749
Noncurrent Assets:		
Assets limited as to use (Note 4):		
Under bond indenture	27,569,077	36,902,535
Board-designated for specific purposes	126,998,730	130,896,532
	154,567,807	167,799,067
Less portion required for current liabilities	7,839,907	10,880,871
	146,727,900	156,918,196
Capital assets (Notes 6 and 7):		
Nondepreciable	16,801,043	15,075,055
Depreciable, net	194,063,072	206,332,729
	210,864,115	221,407,784
Debt issuance costs, net of accumulated amortization	2,285,465	2,577,560
Investment in associated companies (Note 12)	3,540,716	2,278,424
Deferred compensation and life insurance (Note 8)	2,363,530	2,201,778
	8,189,711	7,057,762
Total noncurrent assets	365,781,726	385,383,742
	\$ 491,191,522	\$ 508,561,491

See Notes to Combined Basic Financial Statements.

Liabilities and Net Assets	2009	2008
Current Liabilities:		
Current maturities of long-term debt (Note 7)	\$ 5,397,542	\$ 8,195,238
Outstanding checks in excess of bank balance	-	1,336,689
Accounts payable	11,642,315	10,094,768
Accrued expenses:		
Salaries and wages	4,317,437	3,858,181
Paid leave	4,287,464	4,446,536
Health insurance claims (Note 10)	1,799,101	2,019,248
Interest	3,548,308	3,640,686
Estimated third-party payor settlements	1,530,865	615,362
Other (Notes 6, 8 and 10)	11,368,957	14,603,101
Total current liabilities	43,891,989	48,809,809
Noncurrent Liabilities:		
Deferred compensation and executive benefits (Note 8)	1,291,605	1,135,687
Retirement benefits (Notes 8 and 9)	898,805	612,049
Estimated self-insurance reserves (Note 10)	3,395,484	3,294,900
Long-term debt, less current maturities (Note 7)	198,772,358	204,189,687
Other accrued expenses (Note 6)	4,494,737	3,742,588
Accrued interest (Note 7)	5,886,962	4,201,778
Interest rate swap (Note 7)	2,941,311	2,969,264
Minority interest in related organizations	1,875,393	1,807,926
Total noncurrent liabilities	219,556,655	221,953,879
Total liabilities	263,448,644	270,763,688
Commitments and Contingencies (Notes 10 and 16)		
Net Assets:		
Invested in capital assets, net of related debt	67,719,160	70,047,809
Restricted under bond indenture	27,569,077	28,840,796
Unrestricted	132,454,641	138,909,198
	227,742,878	237,797,803
	\$ 491,191,522	\$ 508,561,491

**East Jefferson General Hospital
and Related Organizations**

**Combined Statements of Revenue, Expenses and Changes in Net Assets
Years Ended December 31, 2009 and 2008**

	2009	2008
Operating revenue:		
Net patient service revenue (Note 2)	\$ 348,486,908	\$ 327,327,521
Other operating revenue	4,942,257	5,287,046
Total operating revenue	353,429,165	332,614,567
Operating expenses:		
Salaries, wages and benefits	173,370,209	171,114,187
Purchased services and other	104,241,504	98,954,097
Supplies	55,492,758	54,605,291
Depreciation and amortization	24,719,622	24,506,107
Interest	8,946,362	9,590,130
Total operating expenses	366,770,455	358,769,812
Loss from operations	(13,341,290)	(26,155,245)
Nonoperating revenue (expenses):		
Investment earnings	(2,170,513)	12,839,150
Gain on sale of investment in associated company (Note 12)	-	4,450,165
Rental income from leases	4,512,879	3,737,587
Community benefit services	(167,882)	(424,608)
(Loss) on disposal of capital assets	(80,325)	(147,911)
Grant revenue (Note 15)	2,313,700	540,565
Contributions	95,723	380,603
Equity in net income of associated companies (Note 12)	1,262,292	339,989
Change in fair value of interest rate swap agreement (Note 7)	27,953	(2,327,598)
Other	45,796	(783,054)
	5,839,623	18,604,888
Excess of revenue (under) expenses before transfers and minority interest	(7,501,667)	(7,550,357)
Transfers to Jefferson Parish (Note 3)	(1,194,273)	(2,067,172)
Minority interest in net income of related organizations	(1,358,985)	(1,262,345)
Change in net assets	(10,054,925)	(10,879,874)
Net assets:		
Beginning	237,797,803	248,677,677
Ending	\$ 227,742,878	\$ 237,797,803

See Notes to Combined Basic Financial Statements.

**East Jefferson General Hospital
and Related Organizations**

**Combined Statements of Cash Flows
Years Ended December 31, 2009 and 2008**

	2009	2008
Cash Flows from Operating Activities:		
Receipts from patients and third-party payors	\$ 353,275,074	\$ 335,687,482
Payments to suppliers	(162,689,003)	(161,877,072)
Payments to employees	(172,627,351)	(170,542,927)
Other receipts	2,935,022	5,585,329
Net cash provided by operating activities	20,893,742	8,852,812
Cash Flows from Capital and Related Financing Activities:		
Purchase of capital assets	(14,027,693)	(9,994,623)
Proceeds from disposals of capital assets	63,510	27,339
Grant revenues	2,313,700	540,565
Principal payments on long-term debt	(8,215,025)	(10,452,098)
Interest payments on long-term debt	(7,353,556)	(8,477,722)
Increase (decrease) in outstanding checks in excess of bank balance	(1,336,689)	1,336,689
Net cash (used in) capital and related financing activities	(28,555,753)	(27,019,850)
Cash Flows from Non-Capital Financing Activities:		
Contributions received	95,723	380,603
Transfers to Jefferson Parish	(1,194,273)	(2,067,172)
Payments for community benefit services	(167,882)	(424,608)
(Distributions to) minority interest, net	(1,291,518)	(2,292,562)
Net cash (used in) non-capital financing activities	(2,557,950)	(4,403,739)
Cash Flows from Investing Activities:		
Investment earnings	3,340,582	13,099,507
Purchase of investments	(1,832,333,739)	(16,655,587,936)
Proceeds from sales and maturities of investments	1,828,525,878	16,656,687,888
Net increase (decrease) in deferred compensation, life insurance and other	(161,752)	1,207,185
Proceeds from sale of investment in associated company	-	5,345,000
Other revenue (expense)	45,796	(783,054)
Rental income	4,512,879	3,737,587
Net cash provided by investing activities	3,929,644	23,706,177
Increase (decrease) in cash and cash equivalents	(6,290,317)	1,135,400
Cash and cash equivalents:		
Beginning	16,594,795	15,459,395
Ending	\$ 10,304,478	\$ 16,594,795
Reconciliation of Cash and Cash equivalents to the Combined Balance Sheets:		
Cash and cash equivalents in current assets	\$ 7,333,500	\$ 8,533,056
Cash and cash equivalents, included in assets limited as to use, noncurrent	2,970,978	8,061,739
	\$ 10,304,478	\$ 16,594,795

(Continued)

**East Jefferson General Hospital
and Related Organizations**

**Combined Statements of Cash Flows (Continued)
Years Ended December 31, 2009 and 2008**

	2009	2008
Reconciliation of operating loss to net cash provided by operating activities:		
Cash Flows from Operating Activities:		
Loss from operations	\$ (13,341,290)	\$ (26,155,245)
Adjustments to reconcile loss from operations to net cash provided by operating activities:		
Depreciation and amortization	24,719,622	24,506,107
Interest expense	8,946,362	9,590,130
(Increase) decrease in:		
Patient receivables	2,641,939	7,091,165
Other receivables	(776,511)	298,283
Inventories	(359,041)	(1,128,082)
Prepaid expenses	(1,541,689)	470,572
Increase (decrease) in:		
Accounts payable	1,547,547	(4,667,567)
Third-party payor settlements	915,503	1,268,796
Accrued expenses	(2,401,958)	(2,243,740)
Deferred compensation and executive benefits, retirement benefits and self-insurance reserves	543,258	(177,607)
Net cash provided by operating activities	<u>\$ 20,893,742</u>	<u>\$ 8,852,812</u>
Schedule of Noncash Investing Activities, increase (decrease) in fair value of investments	\$ (5,511,095)	\$ (260,357)
Schedule of Noncash Capital and Related Financing Activities, capital lease obligation incurred for acquisition of capital assets	-	4,606,217
Schedule of Noncash Investing Activities, accounts receivable received for the sale of investment in associated company	-	109,573

See Notes to Combined Basic Financial Statements.

**East Jefferson General Hospital
and Related Organizations**

**Retirement and Savings Plan
Statements of Plan Net Assets - Pension Trust Fund
December 31, 2009 and 2008**

	2009	2008
Assets		
Cash and investments at fair value:		
Cash equivalents	\$ 1,774,915	\$ 4,447,401
Corporate bonds	-	816,794
Mutual funds	9,133,092	5,872,033
Equities	17,150,250	12,081,052
Investment in partnership	4,178,823	4,184,864
AIG Valic	97,965,254	75,904,310
Total cash and investments	130,202,334	103,306,454
Receivables and prepaids:		
Accrued interest and dividends	12,601	20,911
Contributions receivable:		
Employee	260,822	284,636
Employer	4,589,078	5,009,581
Total receivables	4,862,501	5,315,128
Liabilities, accounts payable	69,421	60,120
Net Assets Held in Trust for Pension Benefits	\$ 134,995,414	\$ 108,561,462

See Notes to Combined Basic Financial Statements.

**East Jefferson General Hospital
and Related Organizations**

**Retirement and Savings Plan
Statements of Changes in Plan Net Assets - Pension Trust Fund
Years Ended December 31, 2009 and 2008**

	2009	2008
Additions:		
Contributions:		
Members	\$ 7,572,144	\$ 8,297,456
Employer	6,998,971	6,936,578
Total contributions	14,571,115	15,234,034
Investment income:		
Interest	1,136,097	1,652,133
Dividends	1,979,551	3,509,328
Net appreciation (depreciation) in fair value of investments	18,421,448	(34,676,286)
	21,537,096	(29,514,825)
Less:		
Investment advisory services	106,192	198,519
Custodial fees	60,561	54,014
Net investment income	21,370,343	(29,767,358)
Total additions (losses)	35,941,458	(14,533,324)
Deductions:		
Retirement benefits paid and savings plan withdrawals	8,948,731	7,159,239
Forfeitures of nonvested contributions	558,775	513,955
Total deductions	9,507,506	7,673,194
Net Increase (decrease)	26,433,952	(22,206,518)
Net assets held in trust for pension benefits:		
Beginning	108,561,462	130,767,980
Ending	\$ 134,995,414	\$ 108,561,462

See Notes to Combined Basic Financial Statements.

**East Jefferson General Hospital
and Related Organizations**

Notes to Combined Basic Financial Statements

Note 1. Nature of Business and Significant Accounting Policies

Nature of business:

The combined basic financial statements include the accounts of the following entities:

East Jefferson General Hospital (Hospital) is organized as Jefferson Parish Hospital Service District No. 2 by the Parish Council of Jefferson Parish, Louisiana (Parish) under provisions of the Jefferson Parish Charter and of Chapter 10 of Title 46 of the Louisiana Revised Statutes of 1950 and is exempt from federal and state income taxes. The Hospital is a component unit of Jefferson Parish, Louisiana. The Hospital operates an acute care hospital and physician practices and owns certain medical office buildings.

East Jefferson Radiation Oncology, LLC (EJRO) was formed in 2006 and shall continue perpetually. EJRO provides radiation oncology services. The Hospital has a 100% ownership interest in EJRO.

East Jefferson Physicians Group, LLC (EJPG) was formed in 2006 and shall continue perpetually. EJPG owns and operates a wide range of clinical practices. The Hospital has a 100% ownership interest in EJPG.

East Jefferson Physician Network, LLC (EJPN) was formed in 1996 and shall continue perpetually. EJPN was used to acquire several physician practices. The Hospital has a 95% ownership interest in EJPN as of December 31, 2009 and 2008.

PET Scan Center of East Jefferson, LLC (PET Scan) was formed in 2002 and shall continue perpetually. PET Scan operates a PET Scan facility. The Hospital has a 53.5% ownership interest in PET Scan as of December 31, 2009 and 2008.

East Jefferson Ambulatory Surgery Center, LLC (EJASC) was formed in 2004 and shall continue perpetually. EJASC operates a surgery center on the Organization's campus. The Hospital has a 51% ownership interest in EJASC as of December 31, 2009 and 2008.

East Jefferson General Surgery Co-Management Company, LLC (SURG) was formed in 2009 and shall continue perpetually. SURG entered into a management agreement with the Hospital to manage, enhance and improve general surgery services. The Hospital has a 51% ownership in SURG as of December 31, 2009.

East Jefferson Orthopedic Co-Management Company, LLC (ORTHO) was formed in 2009 and shall continue perpetually. ORTHO entered into a management agreement with the Hospital to manage, enhance and improve orthopedic services. The Hospital has a 51% ownership in ORTHO as of December 31, 2009.

East Jefferson Cardiovascular Venture, LLC (EJCV) was formed in 2006. The Hospital had a 51% ownership in EJCV, however, during 2008, EJCV was dissolved.

The Hospital, EJRO, EJPG, EJPN, PET Scan, EJASC, SURG, ORTHO and EJCV are collectively referred to as the Organization. There are no other organizations or agencies whose financial statements should be combined and presented with these combined basic financial statements.

**East Jefferson General Hospital
and Related Organizations**

Notes to Combined Basic Financial Statements

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Significant accounting policies:

Principles of combination: The accompanying combined basic financial statements include the accounts of the Hospital, EJRO, EJPJ, EJPN, PET Scan, EJASC, SURG, ORTHO and EJC. All significant intercompany accounts and transactions have been eliminated in combination.

Accrual basis of accounting: The accrual basis of accounting is used by the Organization. Under the accrual basis of accounting, revenue is recognized when earned and expenses are recognized when the liability has been incurred. Under this basis of accounting, all assets and liabilities associated with the operation of the Organization are included in the combined balance sheets.

Fiduciary fund type: The Organization also includes a pension trust fund, fiduciary fund type. The Pension Trust Fund is accounted for in essentially the same manner as the other entities of the Organization, using the same measurement focus and accrual basis of accounting. Employee and employer contributions are recognized in the period in which the employee is compensated for services performed. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. The Pension Trust Fund accounts for the assets of the East Jefferson General Hospital Retirement and Savings Plan. This plan is included in the reporting entity due to the Organization's significant administrative involvement.

Accounting standards: The Organization has elected to apply all applicable Governmental Accounting Standards Board (GASB) Pronouncements as well as the following pronouncements issued before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARBs). The Organization has elected not to follow FASB guidance subsequent to November 30, 1989.

Accounting estimates: The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents: Cash and cash equivalents include temporary cash investments whose use is not limited. The temporary cash investments have original maturities of three months or less at date of issuance. Certain temporary investments internally designated as long-term investments are excluded from cash and cash equivalents.

Patient receivables: Patient receivables, where a third-party payor is responsible for paying the amount, are carried at a net amount determined by the original charge for the service provided, less an estimate made for contractual adjustments or discounts provided to third-party payors.

**East Jefferson General Hospital
and Related Organizations**

Notes to Combined Basic Financial Statements

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Patient receivables due directly from the patients, net of any third-party payor responsibility, are carried at the original charge for the service provided less an estimated allowance for doubtful accounts. Management determines the allowance for doubtful accounts by identifying troubled accounts and by historical experience applied to an aging of accounts. The Organization does not charge interest on patient receivables. Patient receivables are written off as bad debt expense when deemed uncollectible. Recoveries of receivables previously written off are recorded as a reduction of bad debt expense when received. Provision for bad debts was \$22,205,807 and \$32,575,181 for the years ended December 31, 2009 and 2008, respectively, and is recorded as a reduction of net patient service revenue.

Receivables or payables related to estimated settlements on various risk contracts that the Hospital participates in are reported as estimated third-party payor receivables or payables

Inventories: Inventories, which consist primarily of drugs and supplies, are valued at the lower of cost (first-in, first-out method) or market.

Assets limited as to use and investments: Assets limited as to use include assets set aside by the Board of Directors for retirement of long-term debt and future capital improvements, over which the Board retains control and may at its discretion subsequently use for other purposes and assets held by trustees under bond indenture agreements.

Investments, including assets limited as to use, are recorded at fair value in accordance with Governmental Accounting Standards Board Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Investments in equity securities with readily determinable fair values and all investments in debt securities, including those classified as assets limited as to use, are measured at fair value in the balance sheets. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investment earnings, including realized gains and losses on investments, interest and dividends, and changes in unrealized gains and losses are included in nonoperating income.

Funds that were established in connection with the issuance of the revenue bonds are maintained by a trustee in special trust accounts for the benefit and security of the holders and owners of the debt and are reported as assets limited as to use under bond indentures. Interest earned on the investments held in trust is retained in the funds and used for the purposes described in the respective bond ordinances.

Investments in associated companies are accounted for by the equity method of accounting under which the Organization's share of the net income of the associated companies is recognized as income in the Organization's combined statements of revenue, expenses and changes in net assets and are added to the investment account. Dividends and distributions received from the associated companies are treated as a reduction of the investment account. The Organization has interests in a company that operates a laundry service and had an ownership in a company that owns a medical office building, until the ownership interest was sold in 2008.

Capital assets: Capital assets are carried at cost or, if donated, at fair value at date of donation. Depreciation is computed by the straight-line method over the assets' estimated useful lives ranging from three to forty years. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets and is depreciated over the estimated useful lives of the constructed assets.

**East Jefferson General Hospital
and Related Organizations**

Notes to Combined Basic Financial Statements

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Interest capitalized on construction was approximately \$87,000 and \$40,000 during the years ended December 31, 2009 and 2008, respectively.

Debt issuance costs: Debt issuance costs are being amortized over the term the related debt is outstanding by a method which approximates the interest method.

Net patient service revenue: Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments with third-party payors are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Net patient service revenue is reported net of provision for bad debts.

Operating income: The Organization distinguishes operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from the primary purpose of the Organization, which is to provide medical services to the region. Operating revenue consists of net patient services, cafeteria and special meals, Wellness Center membership and other miscellaneous services. Operating expenses consist of salaries and benefits, purchased services, supplies, depreciation and amortization, and interest. All revenue and expenses not meeting these criteria are considered nonoperating.

Net assets: Net asset classifications are defined as follows:

Invested in capital assets, net of related debt – This component of net assets consists of capital assets, including any restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.

Restricted – This component of net assets consists of constraints placed on net assets through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. There was no amount restricted by enabling legislation as of year-end.

Unrestricted net assets – This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt" above.

Charity care: The Organization provides care to patients who meet certain criteria under its charity care policy at amounts less than its established rates.

Gifts, grants and bequests: Gifts, grants and bequests not designated by donors for specific purposes are reported as nonoperating revenue regardless of the use for which they might be designated by the Board of Directors.

Board of Directors: Members of the Hospital's Board of Directors receive no compensation or per diem.

**East Jefferson General Hospital
and Related Organizations**

Notes to Combined Basic Financial Statements

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Reclassifications: Certain items on the accompanying combined balance sheets as of December 31, 2008 have been reclassified to be consistent with the classifications for the year ended December 31, 2009. The reclassifications had no effect on the change in net assets or total net assets.

Note 2. Net Patient Service Revenue

Approximately 90% of the Hospital's net patient service revenue for the years ended December 31, 2009 and 2008 is earned under agreements with third-party payors. These agreements with third-party payors provide for payments to the Hospital at amounts different from its established rates. These third-party payors include: the Medicare and Medicaid programs, health maintenance organizations, and various commercial insurance and preferred provider organizations. A summary of the payment arrangements with major third-party payors follows:

Medicare: The Hospital is paid for inpatient acute care services rendered to Medicare program beneficiaries under prospectively determined rates-per-discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. The prospectively determined classification of patients and the appropriateness of the patients' admissions are subject to validation reviews by a Medicare peer review organization which is under contract with the Hospital to perform such reviews.

Outpatient services are paid via the outpatient prospective payment system. Any former cost reimbursed outpatient services were paid at a tentative rate, with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary. Outpatient services subject to the outpatient prospective payment system are not subject to cost report settlement with several exceptions, and without regard to the transitional corridor.

The Hospital's Medicare cost reports have been finalized by the Medicare fiscal intermediary through December 31, 2006.

Medicaid: Inpatient services rendered to Medicaid program beneficiaries are reimbursed based upon prospectively determined rates. The prospectively determined rates are not subject to retroactive adjustment. Outpatient services are reimbursed based on cost reimbursement and fee schedule limitations. The cost based rates are subject to retroactive adjustment.

In the summer of 2009, House Bill No. 879 (HB 879) was approved and became effective upon the signature of the Governor of Louisiana. HB 879 directed the Department of Health and Hospitals, Bureau of Health Services Financing to issue supplemental payments to hospitals that demonstrated substantial financial and operational challenges in the aftermath of hurricanes Katrina, Rita, Gustav and Ike. One of the provisions of HB 879 made additional Medicaid funding available to hospitals identified in the July 17, 2008 United States Government Accountability Office (GAO) report that have demonstrated substantial financial and operational challenges in the aftermath of Hurricane Katrina. East Jefferson General Hospital is one of five hospitals identified in the GAO report.

As a result of the above, EJGH is eligible to receive supplemental payments for Medicaid services rendered from July 1, 2009 to December 31, 2010. During the year ended December 31, 2009 EJGH recognized into income approximately \$11.0 million of these supplemental payments, all of which were received during 2009. It is expected that during the year ending December 31, 2010 EJGH will receive additional reimbursement of approximately \$21.9 million from this program.

**East Jefferson General Hospital
and Related Organizations**

Notes to Combined Basic Financial Statements

Note 2. Net Patient Service Revenue (Continued)

The Hospital's Medicaid cost reports have been finalized through December 31, 2005.

Other agreements: The Hospital has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to the Hospital under these agreements includes prospectively determined rates per discharge, discounts from established charges, prospectively determined daily rates and capitated per member per month rates.

A summary of the Organization's net patient revenue for the years ended December 31, 2009 and 2008 is as follows:

	2009	2008
Gross patient service revenue	\$ 1,061,844,849	\$ 1,068,859,745
Less discounts, allowances and estimated contractual adjustments under third-party reimbursement programs	691,152,134	708,957,043
Less provision for bad debts	22,205,807	32,575,181
	<u>\$ 348,486,908</u>	<u>\$ 327,327,521</u>

Contractual adjustment expenses for the years ended December 31, 2009 and 2008 include the effects of changes in the estimate of liabilities due to Medicare. The effect of this change in estimate for the Medicare liability was a reduction in contractual adjustment expense of approximately \$173,000 and \$514,000 for the years ended December 31, 2009 and 2008, respectively, and is primarily related to the recognition of disproportionate share reimbursement.

Note 3. Charity Care and Community Service

The Organization maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy and the estimated cost of those services and supplies. The amount of charges foregone, based on established rates during the years ended December 31, 2009 and 2008 was approximately \$1,203,000 and \$1,406,000, respectively.

Although not accounted for as charity care, the Organization considers the contractual adjustment expense related to the Medicaid services as charity care. Contractual adjustment expense related to the Medicaid services performed was approximately \$48,673,000 and \$54,246,000 for the years ended December 31, 2009 and 2008, respectively.

Community benefit services represent the cost of providing services such as ambulance services, public speeches on health care issues to Parish organizations and funding of a community health center.

The Organization transferred \$1,000,000 in 2009 and 2008 to the Parish to fund a medical facility at the Parish prison. The Organization also transferred \$1,000,000 in 2008 to the Parish to fund Jefferson Community Health Center. Additional transfers of \$194,273 and \$67,172 for the years ended December 31, 2009 and 2008, respectively, were made to fund other Parish programs. These amounts have been recorded in the accompanying combined basic financial statements as transfers.

**East Jefferson General Hospital
and Related Organizations**

Notes to Combined Basic Financial Statements

Note 4. Cash and Investments

The Organization's cash, cash equivalents and investments as of December 31, 2009 and 2008 are classified in the accompanying combined balance sheets as follows:

	2009	2008
Current assets:		
Cash and cash equivalents	\$ 7,333,500	\$ 8,533,056
Short-term investments:		
Certificates of deposit	1,255,375	250,000
Investments	55,363,682	49,931,792
Assets limited as to use:		
Cash and cash equivalents	2,970,978	8,061,739
Investments	151,296,829	159,437,328
Other	300,000	300,000
	<u>\$ 218,520,364</u>	<u>\$ 226,513,915</u>

Authorized Investments:

Louisiana state statutes authorize the Organization to invest in direct obligations of the U.S. Treasury and other federal agencies, time deposits with state banks and national banks having their principal office in the State of Louisiana, guaranteed investment contracts issued by highly rated financial institutions, and certain investments with qualifying mutual or trust fund institutions. Louisiana statutes also require that all of the deposits of the Organization be protected by insurance or collateral. The market value of collateral pledged must equal or exceed 100% of the deposits not covered by insurance.

Interest rate risk:

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

Information about the sensitivity of the fair values of the Organization's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Organization's investments by maturity:

Fair Value	Investment Maturities (in Years)			
	Less than 1	1 - 5	6 - 10	More than 10
Money market mutual funds	\$ 17,584,104	\$ 17,584,104	\$ -	\$ -
United States Treasury bills	112,228,196	112,228,196	-	-
United States Treasury notes and strips	76,848,211	-	43,778,181	33,070,030
	<u>\$ 206,660,511</u>	<u>\$ 129,812,300</u>	<u>\$ 43,778,181</u>	<u>\$ 33,070,030</u>

**East Jefferson General Hospital
and Related Organizations**

Notes to Combined Basic Financial Statements

Note 4. - Cash and Investments (Continued)

Credit risk:

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Organization's investment policy limits any investments in Louisiana Municipal Bonds to be rated at Baa3 or higher by Moody's Investor Service or BBB- or higher by Standard & Poor's Corporation or Fitch Inc. and a final maturity of no more than ten years.

As of December 31, 2009, the Organization's investments were rated as follows:

<u>Investment Type</u>	<u>Moody's</u>	
	<u>Standard & Poor's</u>	<u>Investor's Service</u>
Money market mutual funds	AAA	Aaa
United States Treasury bills	AAA	Aaa
United States Treasury notes and strips	AAA	Aaa

Concentration of credit risk:

The Organization's investment policy is to apply the standard of prudence: Investments shall be made with judgment and care, under circumstances then prevailing which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived. The Organization places no limits on the amount that may be invested with one issuer.

Custodial credit risk:

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The custodial risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Hospital's investment policy requires all certificates of deposit and repurchase agreements be collateralized by government securities for an amount in excess of FDIC and SAIF insurance limits. Certificates of deposit or repurchase agreement with terms longer than four days must be held by an independent third party.

As of December 31, 2009, all of the Organization's bank balances in deposits with financial institutions were covered by insurance or collateral held by financial institutions in the Organization's name. The investments were also entirely covered by insurance or held by financial institutions in the Organization's name.

**East Jefferson General Hospital
and Related Organizations**

Notes to Combined Basic Financial Statements

Note 4. Cash and Investments (Continued)

East Jefferson General Hospital Retirement and Savings Plan:

Following are the components of the East Jefferson General Hospital Retirement and Savings Plan's (Plan) cash equivalents and investments as of December 31, 2009 and 2008:

	Defined Benefit Retirement Plan	Savings Plan	Total
	2009		
Cash equivalents	\$ 1,774,915	\$ -	\$ 1,774,915
Investments	30,462,165	97,965,254	128,427,419
	<u>\$ 32,237,080</u>	<u>\$ 97,965,254</u>	<u>\$ 130,202,334</u>
	2008		
Cash equivalents	\$ 4,447,401	\$ -	\$ 4,447,401
Investments	22,954,743	75,904,310	98,859,053
	<u>\$ 27,402,144</u>	<u>\$ 75,904,310</u>	<u>\$ 103,306,454</u>

Cash equivalents: The Plan's cash equivalents totaling \$1,774,915 and \$4,447,401 as of December 31, 2009 and 2008, respectively, consist of government backed pooled funds. The funds are held by a sub-custodian and are managed by a separate money manager and are in the name of the Plan's custodian's trust department.

Investments: Hospital service districts are authorized under Louisiana R.S. 46:1068 to establish and maintain actuarially sound pension and retirement systems making contributions from hospital service district funds. They may make contracts of insurance with any insurance company legally authorized to do business in Louisiana and may enter into other contracts and Trust Agreements with banks, which are incidental to creating and maintaining an actuarially sound pension and retirement system. As of December 31, 2009 and 2008, the Retirement Plan's investments were held by JP Morgan Chase. The Savings Plan's investments are held by AIG Federal Savings Bank.

Concentration of credit risk: Concentration of credit risk is defined as the risk of loss attributed to the magnitude of the Plan's investment in a single issuer. The Plan's investment policy states that no more than 5% (of cost) of the assets assigned to an investment manager may be invested in the securities of one issuer. As of December 31, 2009 and 2008, there were no investment holdings that exceeded the Plan's concentration of credit risk policy.

**East Jefferson General Hospital
and Related Organizations**

Notes to Combined Basic Financial Statements

Note 4. Cash and Investments (Continued)

Credit risk: Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Following are the credit ratings of the Plan's investments in long-term debt securities as of December 31, 2008. The Plan did not have investments in long-term securities as of December 31, 2009.

Investment type:	Fair Value of Corporate	
	2008	
AAA	\$	210,302
AA+		56,797
AA		80,058
A		303,873
A-		52,921
BBB+		112,843
	\$	<u>816,794</u>

The Plan's investment policy regarding credit risk states that all fixed income securities shall carry an investment grade rating of BBB or higher.

Custodial credit risk: Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the Plan will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The Plan holds its cash equivalents in a nominee name in the amount of \$1,774,915 and \$4,447,401 as of December 31, 2009 and 2008, respectively. The Plan has assets in the amount of \$128,427,419 and \$98,859,053 as of December 31, 2009 and 2008, respectively, which are not held in a nominee name or in the name of the Plan and, therefore, exposed to custodial credit risk. These assets are held in JP Morgan Chase & Valic custodial accounts.

**East Jefferson General Hospital
and Related Organizations**

Notes to Combined Basic Financial Statements

Note 4. Cash and Investments (Continued)

Interest rate risk: Interest rate risk is defined as the risk that changes in the interest rates will adversely affect the fair value of an investment. As of December 31, 2008, the Plan had the following investments in long-term debt securities and maturities:

	Fair Value	Investment Maturities (in Years)			
		Less than 1	1 - 5	6 - 10	Greater Than 10
Investment type, corporate bonds	\$ 816,794	\$ -	\$ 578,574	\$ -	\$ 238,220

The Plan did not have long-term debt securities as of December 31, 2009. The Plan has no formal investment policy regarding interest rate risk.

The Plan invests in collateralized mortgage obligations. These securities are based on cash flows from interest payments on underlying mortgages. Therefore, they are sensitive to prepayments by mortgagees, which may result from a decline in interest rates.

Note 5. Composition of Patient Receivables

Patient receivables as of December 31, 2009 and 2008 consist of the following:

	2009	2008
Patients	\$ 124,622,466	\$ 137,599,128
Less estimated third-party contractual adjustments	73,208,657	80,091,869
Less allowance for doubtful accounts	14,166,992	17,618,503
	<u>\$ 37,246,817</u>	<u>\$ 39,888,756</u>

**East Jefferson General Hospital
and Related Organizations**

Notes to Combined Basic Financial Statements

Note 6. Capital Assets

Capital assets activity as of and for the years ended December 31, 2009 and 2008 is as follows:

	December 31, 2008	Additions	Transfers and Disposals	December 31, 2009
Capital assets not being depreciated:				
Land	\$ 12,873,070	\$ -	\$ -	\$ 12,873,070
Construction in progress	2,201,985	4,840,992	(3,115,004)	3,927,973
Total capital assets not being depreciated	15,075,055	4,840,992	(3,115,004)	16,801,043
Capital assets being depreciated:				
Land improvements	6,930,208	-	88,000	7,018,208
Buildings	250,850,932	2,707,203	-	253,558,135
Fixed equipment	80,807,171	1,371,401	(2,058,381)	80,120,191
Major movable equipment	158,639,864	8,223,101	(3,174,974)	163,687,991
Minor equipment	888,255	-	(73)	888,182
Total capital assets being depreciated	498,116,430	12,301,705	(5,145,428)	505,272,707
Less accumulated depreciation for:				
Land improvements	4,819,456	269,439	-	5,088,895
Buildings	114,289,077	8,261,292	-	122,550,369
Fixed equipment	48,731,561	4,186,099	(1,972,096)	50,945,564
Major movable equipment	123,062,969	11,704,350	(3,029,424)	131,737,895
Minor equipment	880,638	6,347	(73)	886,912
Total accumulated depreciation	291,783,701	24,427,527	(5,001,593)	311,209,635
Total capital assets being depreciated, net	206,332,729	(12,125,822)	(143,835)	194,063,072
Organization capital assets, net	\$ 221,407,784	\$ (7,284,830)	\$ (3,258,839)	\$ 210,864,115

**East Jefferson General Hospital
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Notes to Combined Basic Financial Statements

Note 6. Capital Assets (Continued)

	December 31, 2007	Additions	Transfers and Disposals	December 31, 2008
Capital assets not being depreciated:				
Land	\$ 12,873,070	\$ -	\$ -	\$ 12,873,070
Construction in progress	12,533,372	8,727,225	(19,058,612)	2,201,985
Total capital assets not being depreciated	25,406,442	8,727,225	(19,058,612)	15,075,055
Capital assets being depreciated:				
Land improvements	6,522,971	407,237	-	6,930,208
Buildings	238,100,528	13,109,184	(358,780)	250,850,932
Fixed equipment	80,361,464	682,748	(237,041)	80,807,171
Major movable equipment	150,102,616	10,634,745	(2,097,497)	158,639,864
Minor equipment	890,858	-	(2,603)	888,255
Total capital assets being depreciated	475,978,437	24,833,914	(2,695,921)	498,116,430
Less accumulated depreciation for:				
Land improvements	4,638,580	180,876	-	4,819,456
Buildings	106,646,075	8,001,782	(358,780)	114,289,077
Fixed equipment	44,768,584	4,197,287	(234,310)	48,731,561
Major movable equipment	113,292,822	11,793,438	(2,023,291)	123,062,969
Minor equipment	867,735	15,506	(2,603)	880,638
Total accumulated depreciation	270,213,796	24,188,889	(2,618,984)	291,783,701
Total capital assets being depreciated, net	205,764,641	645,025	(76,937)	206,332,729
Organization capital assets, net	\$ 231,171,083	\$ 9,372,250	\$ (19,135,549)	\$ 221,407,784

In January 2004 the Organization entered into an agreement for the purchase and implementation of a new software system and related equipment. During the year ended December 31, 2006, the software was placed in service. The payment terms of the agreement continue through February 1, 2011 with semiannual payments of \$1,871,204. This payable is recorded on the accompanying combined balance sheets as a current liability of \$1,846,294 and noncurrent liability of \$3,742,588 as of December 31, 2009.

**East Jefferson General Hospital
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Notes to Combined Basic Financial Statements

Note 7. Long-Term Debt and Interest Rate Swap Agreement

Long-term debt as of December 31, 2009 and 2008 consists of:

	2009	2008
Hospital Revenue Refunding Bonds, Series 2004 (A) (E)	\$ -	\$ 3,610,000
Hospital Revenue Bonds, Series 1998 (B) (E)	103,040,000	106,245,000
Hospital Revenue Refunding Bonds, Series 1993 (C) (E)	26,815,000	26,815,000
Community Disaster Loan (D)	61,024,950	61,024,950
Capital lease obligation, MRI (F)	3,198,958	3,463,922
Capital lease obligation, parking garage (G)	4,257,033	4,648,015
Capital lease obligation, EJRO (H)	3,953,750	4,496,443
EJASC notes payable, bank (I)	1,880,209	2,081,595
	<u>204,169,900</u>	<u>212,384,925</u>
Less current maturities	<u>5,397,542</u>	<u>8,195,238</u>
	<u>\$ 198,772,358</u>	<u>\$ 204,189,687</u>

(A) **Hospital Revenue Refunding Bonds, Series 2004 - \$5,755,000.** Bond proceeds were used to refund a portion of the Hospital Revenue Bonds, Series 1993 and pay issuance costs incurred. The Series 2004 Bonds bear interest at a variable rate, which was 0.5% as of December 31, 2009, and was secured by a letter of credit issued in the amount of \$3,610,000. The bonds were paid in full in July 2009.

(B) **Hospital Revenue Bonds, Series 1998 - \$125,000,000.** Bond proceeds were used for capital improvements and paying interest and issuance costs incurred. The Series 1998 Bonds bear interest at rates ranging from 4.5% to 5.25% payable semi-annually. Annual principal payments are due in varying amounts ranging from \$3,078,000 to \$8,113,000 through July 2028.

(C) **Hospital Revenue Refunding Bonds, Series 1993 - \$64,575,000.** Bond proceeds were used to advance refund the Hospital's Series 1986 Hospital Revenue Refunding Bonds, and to pay bond insurance and issuance costs. The Series 1993 Bonds bear interest at 5.75% payable semi-annually. Annual principal payments are due in varying amounts ranging from \$500,000 to \$5,020,000 through July 2016.

(D) **Community Disaster Loan (CDL) - \$61,024,000.** During 2006, the Hospital borrowed monies in accordance with the federal CDL program, which is administered by the Federal Emergency Management Agency (FEMA). The proceeds of this loan were used for operating expenses of the Hospital, mainly payroll costs. The loans bear interest at fixed rates ranging from 2.68% to 3.0%. The loans plus accrued interest mature beginning in January 2011 through September 2011.

The CDL program is a program of federal aid available to local governments specifically to replace revenue lost as the result of a natural or man-made disaster. The CDL program is unique in permitting local governments struck by disasters to borrow directly from the federal government. It has also been unique in giving the federal administrators of the loan program the authority to cancel the borrower's obligation to repay the loan under specified local budget conditions. In early 2009, proposed rules specifying the procedures to apply for forgiveness of these loans were published in the Federal Register with a comment period ending in May of 2009. Under the proposed regulations the obligation to repay the loan shall be canceled if the local government's operating losses incurred subsequent to the disaster equal or exceed the amount of the loans. Subsequent to year-end, the Hospital applied for loan forgiveness.

**East Jefferson General Hospital
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Notes to Combined Basic Financial Statements

Note 7. Long-Term Debt and Interest Rate Swap Agreement (Continued)

- (E) The Series 2004, Series 1998 and Series 1993 Bonds grant a security interest in all revenue either accrued or received in connection with operations of the Hospital. The terms of the trust indentures require the Hospital to comply with certain covenants. The covenants provide for timely financial reporting and require the Hospital to maintain certain financial ratios, the most restrictive of which is the maintenance of a specified debt service coverage ratio.

In addition, the Hospital has entered into Bond Insurance Agreements in conjunction with these various issuances, which were revised and amended in November 2008. Under the Revised and Amended Insurance Agreements, the Hospital has agreed to certain additional covenants to maintain certain levels of defined days of cash on hand. In the agreement, it is specifically provided that the amount of debt and interest outstanding on the CDL loans will be excluded from the debt service coverage ratios provided the requirement for maintaining the days cash on hand liquidity measure and the amount of cash and investments free of limitations are equivalent to the balance of the CDL loans plus accrued interest, which was approximately \$66,900,000 as of December 31, 2009.

Management has computed the maximum annual debt service requirements for the debt service coverage ratio and the days cash on hand requirements as of December 31, 2009.

- (F) The Hospital has entered into a capital lease agreement with a medical partnership for the purpose of constructing a medical building used to house magnetic resonance imaging unit and radiation therapy equipment. The medical building and equipment revert to the Hospital upon termination of the lease. The lease requires monthly base rental payments of approximately \$47,000 and minimum monthly operating expense payments of approximately \$22,000 through March 2017. The base rental payments are subject to a 1% annual cumulative escalation clause. The lease is collateralized by the building and equipment with an amortized cost of approximately \$1,497,000 as of December 31, 2009.
- (G) The Hospital has entered into a capital lease agreement with East Jefferson General Hospital Foundation for the purpose of constructing a parking garage. The parking garage reverts to the Hospital upon termination of the lease. The lease requires monthly base rental payments of approximately \$65,000 and minimum monthly operating expense payments of approximately \$15,000 through May 2017. The lease is collateralized by the parking garage with an amortized cost of approximately \$2,030,000 as of December 31, 2009.
- (H) EJRO has entered into a capital lease agreement for a Novalis TX linear accelerator and related hardware. The lease requires monthly payments of \$68,671 through October 2015. The lease is collateralized by leasehold improvements and equipment with an amortized cost of approximately \$3,219,000.
- (I) EJASC has entered into two notes payable. The first note bears interest at 6.75% (reduced from 8.75% in June 2009), due in monthly installments of \$14,743, with a maturity date of September 2013. This note is secured by furniture, equipment and accounts receivable of EJASC. The second note bears interest at 6.75% (reduced from 8.75% in June 2009), due in monthly installments of \$15,135, which are based on a fifteen year amortization and seven year balloon payment with a maturity date of August 2013. This note is secured by equipment and accounts receivable of EJASC. These notes payable contain certain financial covenants for EJASC, including requirements to maintain defined levels of net worth and financial statement reporting requirements.

**East Jefferson General Hospital
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Notes to Combined Basic Financial Statements

Note 7. Long-Term Debt and Interest Rate Swap Agreement (Continued)

Long-term debt activity as of and for the years ended December 31, 2009 and 2008 is as follows:

	December 31, 2008	Borrowings	Payments	December 31, 2009	Due Within One Year
Hospital Revenue Refunding Bonds, Series 2004	\$ 3,610,000	\$ -	\$ (3,610,000)	\$ -	\$ -
Hospital Revenue Bonds, Series 1998	106,245,000	-	(3,205,000)	103,040,000	3,365,000
Hospital Revenue Refunding Bonds, Series 1993	26,815,000	-	-	26,815,000	500,000
Community Disaster Loan	61,024,950	-	-	61,024,950	-
Capital lease obligation, MRI	3,463,922	-	(264,964)	3,198,958	288,986
Capital lease obligation, parking garage	4,648,015	-	(390,982)	4,257,033	426,599
Capital lease obligation, EJRO	4,496,443	-	(542,693)	3,953,750	579,731
EJASC notes payable, bank	2,081,595	-	(201,386)	1,880,209	237,226
	<u>\$ 212,384,925</u>	<u>\$ -</u>	<u>\$ (8,215,025)</u>	<u>\$ 204,169,900</u>	<u>\$ 5,397,542</u>
	December 31, 2007	Borrowings	Payments	December 31, 2008	Due Within One Year
Hospital Revenue Refunding Bonds, Series 2004	\$ 3,755,000	\$ -	\$ (145,000)	\$ 3,610,000	\$ 3,610,000
Hospital Revenue Bonds, Series 1998	109,300,000	-	(3,055,000)	106,245,000	3,205,000
Hospital Revenue Refunding Bonds, Series 1993	33,080,000	-	(6,265,000)	26,815,000	-
Community Disaster Loan	61,024,950	-	-	61,024,950	-
Capital lease obligation, MRI	3,698,145	-	(234,223)	3,463,922	264,964
Capital lease obligation, parking garage	5,006,354	-	(358,339)	4,648,015	390,982
Capital lease obligations, laboratory equipment	119,477	-	(119,477)	-	-
Capital lease obligation, EJRO	-	4,606,217	(109,774)	4,496,443	542,692
EJASC notes payable, bank	2,246,880	-	(165,285)	2,081,595	181,600
	<u>\$ 218,230,806</u>	<u>\$ 4,606,217</u>	<u>\$ (10,452,098)</u>	<u>\$ 212,384,925</u>	<u>\$ 8,195,238</u>

The aggregate principal and interest maturities, including capital leases, of long-term debt as of December 31, 2009 are as follows:

Year ending December 31:	Principal	Interest
2010	\$ 5,397,542	\$ 7,095,207
2011	69,993,060	14,622,179
2012	9,504,089	6,278,392
2013	11,015,134	5,784,515
2014	10,409,931	5,259,727
2015 to 2019	37,190,145	19,655,467
2020 to 2024	30,395,000	12,273,750
2025 to 2029	30,265,000	3,875,500
	<u>\$ 204,169,901</u>	<u>\$ 74,844,737</u>

**East Jefferson General Hospital
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Notes to Combined Basic Financial Statements

Note 7. Long-Term Debt and Interest Rate Swap Agreement (Continued)

The Organization has pledged revenue to repay \$125,000,000 hospital revenue bonds issued January 1999 and \$64,575,000 hospital revenue refunding bonds issued January 1993. These bonds are payable solely from the hospital revenue and are payable through 2028 and 2016, respectively. Annual principal and interest payments on the bonds are expected to require less than 10% of revenue. The total principal and interest remaining to be paid on the bonds is \$162,157,507 and \$30,445,206, respectively. Principal and interest paid for the current year on each bond and total hospital revenue were \$8,453,482 and \$1,159,595, respectively.

The hospital revenue bonds issued December 2004 were paid in full during 2009. Principal and interest paid for the current year and total hospital revenue were \$3,625,236 and \$361,687,508, respectively.

The future minimum rental commitments payable as of December 31, 2009 on capital lease obligations are as follows:

Year ending December 31:	
2010	\$ 2,650,543
2011	2,656,596
2012	2,662,711
2013	2,668,888
2014	2,675,125
2015 to 2017	4,998,375
Total minimum lease payments	18,312,238
Less amount representing executory costs (i.e., operating expenses) included in total minimum lease payments	3,211,391
Net minimum lease payments	15,100,847
Less amount representing interest	3,691,106
Present value of net minimum lease payments	\$ 11,409,741

The Hospital's interest rate swap agreement is summarized as follows:

The Hospital is a party to an interest rate swap agreement for a notional amount of \$31,027,000 and \$34,549,000 as of December 31, 2009 and 2008, respectively. Under this arrangement, which terminates July 1, 2016, the Hospital pays a fixed rate of 3.331% and the counterparty pays a floating rate equal to 68% of the one-month LIBOR (1.62% and 3.18% as of December 31, 2009 and 2008, respectively), both of which are applied to the notional principal amount.

The fair value of the swap liability as of December 31, 2009 and 2008 is \$2,941,311 and \$2,969,264, respectively. The change in the fair value of the swap agreement is included in nonoperating revenue in the accompanying combined statements of revenue, expenses and changes in net assets. The interest settlements received by the Hospital, or paid to the counterparty, are included as a component of interest expense. The net settlements increased interest expense by approximately \$193,100 and \$47,100 for the years ended December 31, 2009 and 2008, respectively.

**East Jefferson General Hospital
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Notes to Combined Basic Financial Statements

Note 8. Retirement and Benefit Plans

Defined benefit retirement plan:

The Hospital contributes to the Retirement Plan for Employees of East Jefferson General Hospital (Plan) which is a single-employer, noncontributory defined benefit public employee retirement system (PERS). The Plan is sponsored by the Hospital to provide retirement benefits as well as death benefits. All full-time employees at least 21 years of age with at least one year of credited service are eligible to participate in the Plan. Plan benefits vest after five years of credited service. Employees who retire at or after age 62 with 5 years of credited service are entitled to an annual retirement benefit payable monthly for life, unless the present value amount is under \$8,500. In this instance, the employer has the option to distribute in a lump-sum payment. The Plan also provides early retirement benefits at reduced amounts at age 55 with 10 years of service. For the years ended December 31, 2009 and 2008, the Hospital's total payroll for all employees was approximately \$130,685,000 and \$136,475,000, respectively, and the Hospital's total covered payroll (for pension plan participants) was approximately \$57,758,000 and \$61,094,000, respectively. Covered payroll refers to all compensation paid by the Hospital to active employees covered by the Plan on which contributions to the Plan are based.

In November 2004, the Board of Directors of the Hospital adopted a resolution to revise the Plan participation eligibility requirements to exclude employees hired or rehired subsequent to January 1, 2005. In January 2005, the Board of Directors adopted a resolution to freeze the Plan effective April 1, 2005. This resolution had the immediate effect of reducing the actuarially determined recommended contribution to the Plan for 2005. The Board of Directors also resolved to increase base contributions to the Employee Savings Plan on a graduated scale based on length of service.

The benefit provisions of the Plan consist of current and prior accrued benefits. The current benefit provided is equal to .75% of the participant's annual earnings for each Plan year commencing after December 31, 1988, plus .5% of the participant's annual earnings in excess of covered compensation, as defined by the Plan, for each Plan year commencing after December 31, 1988, for up to 35 years of benefit service. The prior accrued benefit provided was equal to 30% of the participant's final average monthly earnings in excess of the Social Security Maximum Wage Average. Certain Plan participants are also entitled to supplemental benefits as specifically defined in the Plan. The Plan issues a publicly available financial report that includes financial statements and required supplementary information for PERS. That report may be obtained by writing to East Jefferson General Hospital, Administration Department or by calling (504) 454-4000.

Basis of accounting: The Plan's assets are held in various investments, including U.S. government and agency issues, equity securities, mutual funds, corporate bonds, foreign obligation bonds, partnership and guaranteed investment contracts with a life insurance company. The Plan's asset value is the fund value as reported by the life insurance company, which is a book value with part of the fund subject to a market value adjustment should the contract be terminated.

Funding status and progress: The amount shown as the net pension obligation in the following table is a standardized disclosure measure of the present value of pension benefits, adjusted beginning January 1, 2001 for the effects of projected salary increases estimated to be payable in the future as a result of employee service to date. The measure, which is independent of the actuarial funding method used to determine contributions to the Plan, is the actuarial present value of credited projected benefits. The measure is intended to help users assess the Plan's funding status on a going-concern basis and assess progress made in accumulating sufficient assets to pay benefits when due.

**East Jefferson General Hospital
and Related Organizations**

Notes to Combined Basic Financial Statements

Note 8. Retirement and Benefit Plans (Continued)

Defined benefit retirement plan (continued):

Plan members are not required to contribute a portion of their annual salary. The Hospital is required per the Plan's funding policy to contribute at an actuarially determined rate which was 4.4% and 3.0% for the years ended December 31, 2009 and 2008, respectively.

Significant actuarial assumptions used in 2009 and 2008 include a rate of return on the investment of present and future assets of 8.5% per year compounded annually. There has been no cost of living adjustment. In 2009 the actuarial value of assets was determined using market value. In 2008, the actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the fair value of investments over a three-year period. The unfunded actuarial accrued liability is being amortized as an open level dollar of payroll. The remaining amortization period at a January 1, 2010 actuarial valuation date was 29 years.

Annual pension costs, net pension obligation and the accrual for retirement benefits for 2009 and 2008 are as follows:

	2009	2008
Annual required contribution for current year	\$ 1,851,102	\$ 1,413,043
Interest on net pension obligation	3,303	3,206
Adjustment to annual required contribution	(4,407)	35,753
Annual pension costs	1,849,998	1,452,002
Contribution made	1,851,102	1,448,536
Decrease in net pension obligation	(1,104)	3,466
Net pension obligation, beginning of year	78,959	75,493
Net pension obligation, end of year	\$ 77,855	\$ 78,959

Contributions required and contributions made: The funding policy of the Plan provides for actuarially determined periodic employer contributions at rates that, for individual employees, remain fairly constant over time so that sufficient assets will be available to pay benefits when due. The contribution rate for normal cost is determined using the Traditional Unit Credit actuarial cost method. The Plan is being funded based on its normal cost, as actuarially determined, reduced by amounts sufficient to amortize an overfunded amount from prior years over a 30-year period. The Hospital made contributions of approximately \$1,851,000 and \$1,449,000 for the years ended December 31, 2009 and 2008, respectively, and is fully funded according to Internal Revenue Service funding limitations. Significant actuarial assumptions used to compute the contribution required are the same as those used to compute the standardized measure of the pension benefit obligation.

**East Jefferson General Hospital
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Notes to Combined Basic Financial Statements

Note 8. Retirement and Benefit Plans (Continued)

Defined benefit retirement plan (continued):

Trend information: Trend information related to the Plan is as follows:

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/07	\$ 1,535,443	98%	\$ 75,493
12/31/08	1,452,002	97	78,959
12/31/09	1,849,998	96	77,855

Funded status and funding progress, pension plan:

The funded status of the Plan as of December 31, 2009 and 2008 is based on the most recent actuarial valuation dated January 1, 2010 and 2009, respectively, as follows:

Valuation date January 1:	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
2010	\$ 32,249,681	\$ 59,702,876	\$27,453,195	54.0	\$57,757,738	47.5%
2009	37,047,904	56,941,416	19,893,512	65.1	\$61,093,503	32.6

The supplementary information presented in the Required Retirement Plan Information was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Plan Year	2009	2008
Valuation Date	January 1, 2010	January 1, 2009
Actuarial Cost Method	Traditional Unit Credit	Traditional Unit Credit
Asset Valuation Method	Market value	3-year smoothing
Actuarial Assumptions:		
Investment rate of return	8.5% per annum	8.5% per annum
Amortization method	Level dollar	Level dollar
Amortization period	30 years remaining (open basis)	30 years remaining (open basis)
Salary increase rate	None	None

**East Jefferson General Hospital
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Notes to Combined Basic Financial Statements

Note 8. Retirement and Benefit Plans (Continued)

Employee savings plan:

Effective September 15, 1989, the Hospital adopted the East Jefferson General Hospital Savings Plan (Savings Plan) for the benefit of eligible employees. Benefits under the Plan are payable upon the retirement/disability of the participant or termination of the participant's employment. The Hospital believes the Savings Plan qualifies under Sections 401(a), 403(b) and 457(b) of the Internal Revenue Code of 1986, as applicable to governmental plans.

Employees who have attained the age of 21 and completed one year of service are eligible to become participants in the Savings Plan. Savings Plan participants may elect to make pre-tax contributions up to a maximum of the limits allowed by the IRS, as defined in the Savings Plan agreement. The Savings Plan agreement provides that the Hospital contribute 2% of participants' Savings Plan compensation each year and match participant contributions up to 2% of the participants' Savings Plan compensation. Beginning April 1, 2005, the Hospital increased its contribution to a graduated scale of 2% to 5% of compensation based on employee length of service.

Savings Plan assets are invested in an equity fund (consisting primarily of common stocks) or a guaranteed investment contract fund with a commercial insurance company, as elected by plan participants. A separate account is established for each Savings Plan participant. Participants have a nonforfeitable right to the value of their after-tax deposits at any time and become 100% vested in Hospital basic deposits and Hospital matching deposits upon the completion of five years of service. Loans are not permitted under the terms of the Savings Plan.

Employer contributions and employer paid Savings Plan expenses totaled \$4,649,990 and \$4,603,594 for the years ended December 31, 2009 and 2008, respectively.

**East Jefferson General Hospital
and Related Organizations**

Notes to Combined Basic Financial Statements

Note 8. Retirement and Benefit Plans (Continued)

Employee savings plan (continued):

The following is a summary of the financial statements of the pension plan and employee savings plan as of and for the year ended December 31, 2009 and 2008:

	Defined Benefit Retirement Plan	Savings Plan				(Total Memorandum Only)
		401(a)	403(b) Special	403(b)	457(b)	
December 31, 2009						
Assets						
Receivables and prepaids:						
Accrued interest and dividends	\$ 12,601	\$ -	\$ -	\$ -	\$ -	\$ 12,601
Contributions receivable:						
Employee	-	-	-	200,692	60,130	260,822
Employer	-	2,951,294	-	1,637,784	-	4,589,078
Total receivables	12,601	2,951,294	-	1,838,476	60,130	4,862,501
Investments at fair value:						
Cash equivalents	1,774,915	-	-	-	-	1,774,915
Equities	17,150,250	-	-	-	-	17,150,250
Mutual funds	9,133,092	-	-	-	-	9,133,092
Investment in partnership	4,178,823	-	-	-	-	4,178,823
AIG Valic	-	44,478,310	146,763	44,991,056	8,349,125	97,965,254
Total investments	32,237,080	44,478,310	146,763	44,991,056	8,349,125	130,202,334
Liabilities						
Accounts payable	69,421	-	-	-	-	69,421
Contributions paid in advance due to forfeitures	-	-	-	-	-	-
Total liabilities	69,421	-	-	-	-	69,421
Net Assets Held in Trust for Pension Benefits						
	\$ 32,180,260	\$ 47,429,604	\$ 146,763	\$ 46,829,532	\$ 8,409,255	\$ 134,995,414

**East Jefferson General Hospital
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Notes to Combined Basic Financial Statements

Note 8. Retirement and Benefit Plans (Continued)

	Defined Benefit Retirement Plan	Savings Plan				(Total Memorandum Only)
		401(a)	403(b) Special	403(b)	457(b)	
	December 31, 2008					
Assets						
Receivables and prepaids:						
Accrued interest and dividends	\$ 20,911	\$ -	\$ -	\$ -	\$ -	\$ 20,911
Contributions receivable:						
Employee	-	-	-	222,747	61,889	284,636
Employer	-	3,058,254	-	1,951,327	-	5,009,581
Total receivables	20,911	3,058,254	-	2,174,074	61,889	5,315,128
Investments at fair value:						
Cash equivalents	4,447,401	-	-	-	-	4,447,401
U.S. government and agency issues	-	-	-	-	-	-
Corporate bonds	816,794	-	-	-	-	816,794
Foreign obligation bonds	-	-	-	-	-	-
Equities	12,081,052	-	-	-	-	12,081,052
Mutual funds	5,872,033	-	-	-	-	5,872,033
Investment in partnership	4,184,864	-	-	-	-	4,184,864
AIG Valic	-	37,284,070	129,132	32,692,806	5,798,302	75,904,310
Total investments	27,402,144	37,284,070	129,132	32,692,806	5,798,302	103,306,454
Liabilities						
Accounts payable	60,120	-	-	-	-	60,120
Contributions paid in advance due to forfeitures	-	-	-	-	-	-
Total liabilities	60,120	-	-	-	-	60,120
Net Assets Held in Trust for Pension Benefits						
	\$ 27,362,935	\$ 40,342,324	\$ 129,132	\$34,866,880	\$ 5,860,191	\$ 108,561,462

**East Jefferson General Hospital
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Notes to Combined Basic Financial Statements

Note 8. Retirement and Benefit Plans (Continued)

Employee savings plan (continued):

	Defined Benefit Retirement Plan	Savings Plan				(Total Memorandum Only)
		401(a)	403(b) Special	403(b)	457(b)	
	Year Ended December 31, 2009					
Additions:						
Contributions:						
Members	\$ -	\$ -	\$ -	\$ 5,848,055	\$ 1,724,089	\$ 7,572,144
Employer	1,851,102	3,191,790	-	1,956,079	-	6,998,971
Total contributions	1,851,102	3,191,790	-	7,804,134	1,724,089	14,571,115
Investment income:						
Interest	46,923	534,452	2,637	496,575	55,510	1,136,097
Dividends	773,047	526,138	-	546,785	133,581	1,979,551
Net appreciation in fair value of investments	5,142,199	5,912,661	15,415	6,097,291	1,253,882	18,421,448
	5,962,169	6,973,251	18,052	7,140,651	1,442,973	21,537,096
Less:						
Investment advisory services	106,192	-	-	-	-	106,192
Custodial fees	58,909	-	-	-	1,652	60,561
Net investment income	5,797,068	6,973,251	18,052	7,140,651	1,441,321	21,370,343
Total additions	7,648,170	10,165,041	18,052	14,944,785	3,165,410	35,941,458
Deductions:						
Retirement benefits paid and savings plan withdrawals	2,830,845	2,837,281	421	2,663,838	616,346	8,948,731
Forfeitures of nonvested contributions	-	240,480	-	318,295	-	558,775
Total deductions	2,830,845	3,077,761	421	2,982,133	616,346	9,507,506
Net increase (decrease)	4,817,325	7,087,280	17,631	11,962,652	2,549,064	26,433,952
Net assets held in trust for pension benefits:						
Beginning	27,362,935	40,342,324	129,132	34,866,880	5,860,191	108,561,462
Ending	\$ 32,180,260	\$ 47,429,604	\$ 146,763	\$ 46,829,532	\$ 8,409,255	\$ 134,995,414

**East Jefferson General Hospital
and Related Organizations**

Notes to Combined Basic Financial Statements

Note 8. Retirement and Benefit Plans (Continued)

	Defined Benefit Retirement Plan	401(a)	403(b) Special	Savings Plan 403(b)	457(b)	(Total Memorandum Only)
	Year Ended December 31, 2008					
Additions:						
Contributions:						
Members	\$ -	\$ -	\$ -	\$ 6,575,040	\$ 1,722,416	\$ 8,297,456
Employer	1,413,042	3,381,624	-	2,141,912	-	6,936,578
Total contributions	<u>1,413,042</u>	<u>3,381,624</u>	<u>-</u>	<u>8,716,952</u>	<u>1,722,416</u>	<u>15,234,034</u>
Investment income:						
Interest	560,277	556,485	2,568	477,158	55,645	1,652,133
Dividends	375,535	1,467,640	-	1,351,513	314,640	3,509,328
Net appreciation in fair value of investments	(11,840,881)	(12,076,124)	(25,195)	(8,848,668)	(1,885,418)	(34,676,286)
	<u>(10,905,069)</u>	<u>(10,051,999)</u>	<u>(22,627)</u>	<u>(7,019,997)</u>	<u>(1,515,133)</u>	<u>(29,514,825)</u>
Less:						
Investment advisory services	198,519	-	-	-	-	198,519
Custodial fees	48,653	-	-	4,490	871	54,014
Net investment income	<u>(11,152,241)</u>	<u>(10,051,999)</u>	<u>(22,627)</u>	<u>(7,024,487)</u>	<u>(1,516,004)</u>	<u>(29,767,358)</u>
Total additions	<u>(9,739,199)</u>	<u>(6,670,375)</u>	<u>(22,627)</u>	<u>1,692,465</u>	<u>206,412</u>	<u>(14,533,324)</u>
Deductions:						
Retirement benefits paid and savings plan withdrawals	2,614,764	2,859,712	6,322	1,551,730	126,711	7,159,239
Forfeitures of nonvested contributions	-	323,370	-	190,585	-	513,955
Total deductions	<u>2,614,764</u>	<u>3,183,082</u>	<u>6,322</u>	<u>1,742,315</u>	<u>126,711</u>	<u>7,673,194</u>
Net increase (decrease)	<u>(12,353,963)</u>	<u>(9,853,457)</u>	<u>(28,949)</u>	<u>(49,850)</u>	<u>79,701</u>	<u>(22,206,518)</u>
Net assets held in trust for pension benefits:						
Beginning	39,716,898	50,195,781	158,081	34,916,730	5,780,490	130,767,980
Ending	<u>\$ 27,362,935</u>	<u>\$ 40,342,324</u>	<u>\$ 129,132</u>	<u>\$ 34,866,880</u>	<u>\$ 5,860,191</u>	<u>\$ 108,561,462</u>

Deferred compensation and executive benefits:

The Hospital previously provided a supplemental executive retirement plan (SERP) as well as a deferred compensation plan to certain key employees. The SERP plan was terminated during 2005. Assets and liabilities associated with the deferred compensation plan were \$1,291,605 and \$1,135,687 as of December 31, 2009 and 2008, respectively. These amounts are included in noncurrent assets and liabilities in the accompanying combined basic financial statements.

**East Jefferson General Hospital
and Related Organizations**

Notes to Combined Basic Financial Statements

Note 8. Retirement and Benefit Plans (Continued)

Early termination benefits:

In order to encourage early retirement, the Hospital offered a one-time only early termination benefit in 2002. The employee had to be 50 years of age or older and have completed five years of credited service by August 15, 2002 to be eligible for enhanced health and dental insurance as part of East Jefferson General Hospital's early retirement offering to begin on October 1, 2002. The early termination benefit allows an eligible employee to remain on the Hospital's health plan at their existing participation level for up to five years, or until the individual is Medicare eligible. For all years after 2007, the retirees may remain on the Hospital's health plan until they are Medicare eligible at a fair market value rate of insurance, which is defined as a rate no less than the COBRA rate. If the retiree drops coverage any time after retirement, they are no longer eligible to return to the plan. There were 22 and 41 participants still remaining under the plan as of December 31, 2009 and 2008, respectively. As of December 31, 2009 and 2008, the Hospital had no accrual.

Note 9. Other Postemployment Benefits (OPEB)

Plan description and funding policy:

The Hospital sponsors a postretirement medical plan that provides post-termination medical insurance coverage for the participant and the participant's spouse of health insurance through age 65, then lifetime Medicare supplement insurance. The employees eligible under this policy are key employees as designated by the Hospital's Board of Directors who terminate employment at or after age 62 with at least 10 years of service. Prior to the participants' age 65, the coverage shall be insured coverage providing a level of benefits reasonably comparable to the standard medical coverage the Hospital provides to all full-time employees. Commencing at the participant's age 65, the coverage shall be provided in the form of an insured Medicare Supplement Policy providing the level of coverage determined by the Hospital in its sole discretion.

The Hospital shall pay 50% or 100% of the premiums for the coverage under this plan for the participant and the participant's spouse depending on the ages of both of the covered individuals with a gross premium cap of \$1,000 per month per individual. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal years 2009 and 2008, the Hospital contributed \$13,306 and \$12,551, respectively, to the plan.

**East Jefferson General Hospital
and Related Organizations**

Notes to Combined Basic Financial Statements

Note 9. Other Postemployment Benefits (OPEB) (Continued)

Annual OPEB cost and net OPEB obligation:

The Hospital's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance to the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the components of the Hospital's annual OPEB cost for the years ended December 31, 2009 and 2008, the amount actuarially contributed to the plan, and changes in the Hospital's annual OPEB obligation:

	2009	2008
Annual required contribution	\$ 279,842	\$ 279,842
Interest on net OPEB obligation	21,324	-
Annual OPEB cost	301,166	279,842
Contributions made	(13,306)	(12,551)
Increase in net OPEB obligation	287,860	267,291
Net OPEB obligation, beginning of year	533,090	265,799
Net OPEB obligation, end of year	\$ 820,950	\$ 533,090

Fiscal year ended December 31, 2007 was the transition year of GASB Statement No. 45. The Hospital's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligations for fiscal years 2009 and 2008 is as follows:

	Annual OPEB Cost	Percent of Annual OPEB Cost Contributed	Net OPEB Obligation
Fiscal year ended December 31:			
2009	\$ 301,166	4.4%	\$ 820,950
2008	279,842	4.5	533,090

Funded status and funding progress:

Postemployment benefit obligations under GASB Statement No. 45 as of December 31, 2007, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)
December 31, 2007	\$ -	\$ 2,495,161	\$ 2,495,161	\$ -

**East Jefferson General Hospital
and Related Organizations**

Notes to Combined Basic Financial Statements

Note 9. Other Postemployment Benefits (OPEB) (Continued)

Actuarial methods and assumptions:

The actuarial calculations are performed in accordance with the Projected Unit Credit Actuarial Cost Method as allowed under GASB Statement No. 45. The excess of the AAL over the actuarial value of plan assets is the unfunded actuarial accrued liability. The unfunded actuarial accrued liability is amortized over a maximum of 30 years in level dollar amounts on an open period amortization basis. The sum of the normal cost and the amortization of the unfunded actuarial accrued liability is the annual required contribution, which with interest at the valuation date, determines the annual OPEB cost.

Economic cost assumptions:

The rate at which projected cash flows are to be discounted is 4% based on estimated long-term investment return on the investments that are expected to be used to finance the payment of benefits.

Actuarial calculations reflect a long-term perspective that involves estimates of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Note 10. Self-Insurance, Commitments and Contingent Liabilities

Self-Insurance for health insurance:

The Hospital is self-insured for its employee health insurance plan. The self-insured claims are processed through a Plan Administrator. In 2009 and 2008, the Hospital had stop-loss insurance coverage for claims in excess of \$300,000 per individual per plan year and a lifetime maximum coverage of \$700,000 per individual. The following is a summary of estimated claims liability for the years ended December 31, 2009 and 2008. The Hospital has recorded a current liability for open claims and claims incurred but not reported.

	2009	2008
Balance, beginning	\$ 2,019,248	\$ 2,000,000
Claims expense	11,125,000	10,416,068
Claims payment	(11,345,147)	(10,396,820)
Balance, ending	<u>\$ 1,799,101</u>	<u>\$ 2,019,248</u>

**East Jefferson General Hospital
and Related Organizations**

Notes to Combined Basic Financial Statements

Note 10. Self-Insurance, Commitments and Contingent Liabilities (Continued)

Self-Insurance for worker's compensation insurance:

The Hospital is self-insured for worker's compensation. The self-insured claims are processed through a Plan Administrator. The Hospital has purchased stop-loss insurance coverage for claims in excess of \$150,000 per occurrence. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors. The following is a summary of estimated claims liability for the years ended December 31, 2009 and 2008. The Hospital has recorded a current liability for open claims and claims incurred but not reported which is included in other accrued expenses.

	2009	2008
Balance, beginning	\$ 2,458,940	\$ 2,036,207
Claims expense	1,327,677	1,446,017
Claims payment	(1,089,657)	(1,023,284)
Balance, ending	<u>\$ 2,696,960</u>	<u>\$ 2,458,940</u>

Professional liability insurance:

During 1976, the State of Louisiana enacted legislation that created a statutory limit of \$500,000 plus interest, costs and future medical expenses for each medical professional liability claim and established the Louisiana Patient Compensation Fund (State Insurance Fund) to provide professional liability insurance to participating health care providers. The constitutionality of the statutory limit has been tested and sustained to date although additional challenges may be made in the future. The Hospital participates in the State Insurance Fund, which provides up to \$400,000 coverage for settlement amounts in excess of \$100,000 per claim. The Hospital is self-insured with respect to the first \$100,000 of each claim and has purchased additional coverage through a claims-made policy with a commercial insurance carrier for losses on claims in excess of \$500,000 for claims made on or prior to December 31, 2003 and \$1,000,000 for claims made subsequent to December 31, 2003. The following is a summary of estimated claims liability for the years ended December 31, 2009 and 2008. The Hospital has recorded the liability in noncurrent liabilities.

	2009	2008
Balance, beginning	\$ 1,637,581	\$ 1,796,883
Claims expense and change in accrual	1,070,306	43,698
Claims payment	(392,500)	(203,000)
Balance, ending	<u>\$ 2,315,387</u>	<u>\$ 1,637,581</u>

**East Jefferson General Hospital
and Related Organizations**

Notes to Combined Basic Financial Statements

Note 10. Self-Insurance, Commitments and Contingent Liabilities (Continued)

Other self-insurance programs:

The Hospital is self-insured for general liability and vehicle liability. The self-insured claims are processed through a Plan Administrator. The following is a summary of estimated claims liability for the years ended December 31, 2009 and 2008. The Hospital has recorded the liability in noncurrent liabilities.

	2009	2008
Balance, beginning	\$ 1,357,319	\$ 1,231,745
Claims expense and change in accrual	(495,722)	252,466
Claims payment	(81,500)	(126,892)
Balance, ending	<u>\$ 780,097</u>	<u>\$ 1,357,319</u>

Laws and regulations:

The health care industry is subject to numerous laws and regulations of federal, state and local governments. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time. These laws and regulations include, but are not limited to, accreditation, licensure, government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in exclusion from government health care program participation, together with the imposition of significant fines and penalties, as well as significant repayment for past reimbursement for patient services received. While the Organization is subject to similar regulatory reviews, management believes the outcome of any such regulatory review will not have a material adverse effect on the Organization's financial position.

The Organization has been named as a defendant in various legal actions arising from normal business activities in which damages in various amounts are claimed. The amount of ultimate liability, if any, with respect to such matters cannot be determined, but management believes that any such liability would not have a material effect on the Organization's financial position.

**East Jefferson General Hospital
and Related Organizations**

Notes to Combined Basic Financial Statements

Note 10. Self-Insurance, Commitments and Contingent Liabilities (Continued)

Lease commitments:

The Organization leases property and various equipment under leases that expire at various dates through April 2017.

As of December 31, 2009, the total minimum rental commitment under operating lease agreements is approximately \$8,646,000 which is due as follows:

Year ending December 31:

2010	\$ 2,508,000
2011	2,347,000
2012	2,358,000
2013	2,317,000
2014	2,368,000
2015 to 2018	5,365,000
	<u>\$ 17,263,000</u>

Total rent expense for the above leases for the years ended December 31, 2009 and 2008 was approximately \$2,426,000 and \$2,536,000, respectively.

Professional services commitments:

The Organization has agreements for the outsourcing of its information technology department and for its emergency room coverage. These agreements expire in December 2012.

As of December 31, 2009, the total minimum commitment under these agreements is due as follows:

Year ending December 31:

2010	\$ 8,013,000
2011	7,812,000
2012	7,951,000
	<u>\$ 23,776,000</u>

Total expense for the above agreements for the years ended December 31, 2009 and 2008 was approximately \$8,168,000 and \$7,143,000, respectively.

**East Jefferson General Hospital
and Related Organizations**

Notes to Combined Basic Financial Statements

Note 11. Concentrations of Credit Risk

The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors as of December 31, 2009 and 2008 was as follows:

	2009	2008
Medicare	53.1%	48.5%
Medicaid	4.8	5.4
Managed care	18.8	19.2
Other third-party payors	16.8	20.1
Patients	6.5	6.8
	<u>100.0%</u>	<u>100.0%</u>

Note 12. Investment in Associated Companies

The Organization's investment in associated companies as of December 31, 2009 and 2008 consist of the following:

	2009	2008
Associated Hospital Services (laundry service)	\$ 3,540,716	\$ 2,278,424

The Organization's equity in net income of associated companies consists of the following:

	2009	2008
Associated Hospital Services	\$ 1,262,292	\$ 324,989
Metairie Medical Office Limited Partnership		15,000
	<u>\$ 1,262,292</u>	<u>\$ 339,989</u>

In March 2008, the Organization sold its investment in Metairie Medical Office Limited Partnership for \$5,345,000. The resulting gain on the sale of this investment of approximately \$4,450,000 is included in the statement of revenue, expenses and changes in net assets for the year ended December 31, 2008.

**East Jefferson General Hospital
and Related Organizations**

Notes to Combined Basic Financial Statements

Note 13. Functional Expenses

The Organization provides general health care services to residents within its geographic location. Expenses related to providing these services for the years ended December 31, 2009 and 2008 are as follows:

	2009	2008
Program	\$ 216,151,294	\$ 207,182,785
General and administrative	150,619,161	151,587,027
	<u>\$ 366,770,455</u>	<u>\$ 358,769,812</u>

Note 14. New Governmental Accounting Standards Board (GASB) Statements and Pending Pronouncements

During the year ended December 31, 2009, the Organization adopted the following GASB statement:

GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*. This Statement establishes consistent standards for the reporting of land and other real estate held as investments. Endowments were previously required to report their land and other real estate held for investment purposes at historical cost. However, such investments are reported at fair value by similar entities, such as pension plans. The Statement requires endowments to report land and other real estate investments at fair value. The changes in the fair value are to be reported as investment income. The adoption of this Statement had no effect on the financial statements.

As of December 31, 2009, the GASB has also issued several statements not yet implemented by the Organization. The Statements which might impact the Organization are as follows:

GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, issued July 2007, will be effective for the Organization beginning with its year ending December 31, 2010. This Statement provides guidance regarding how to identify, account for and report intangible assets. The new Statement characterizes an intangible asset as an asset that lacks physical substance, is nonfinancial in nature and has an initial useful life extending beyond a single reporting period.

GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, issued June 2008, will be effective for the Organization beginning with its year ending December 31, 2010. This Statement will improve how state and local governments report information about derivative instruments in their financial statements. The Statement specifically requires governments to measure most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The guidance in this Statement also addresses hedge accounting requirements.

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, issued March 2009, will be effective for the Organization beginning with its year ending December 31, 2011. This Statement is intended to improve the usefulness of information provided to financial report users about fund balances by providing clearer, more structured fund balance classifications, and by clarifying the definitions of existing governmental fund types. Fund balance information is among the most widely and frequently used information in state and local government financial reports. The GASB developed this Statement to address the diversity of practice and the resulting lack of consistency that had evolved in fund balance reporting. To reduce confusion, the new Statement establishes a hierarchy of fund balance classification based primarily on the extent to which a government is bound to observe spending constraints.

**East Jefferson General Hospital
and Related Organizations**

Notes to Combined Basic Financial Statements

Note 14. New Governmental Accounting Standards Board (GASB) Statements and Pending Pronouncements (Continued)

GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, issued January 2010, will be effective for the Organization beginning with its year ending December 31, 2012. This Statement addresses issues related to measurement of OPEB obligations by certain employers participating in agent multiple-employer OPEB plans. GASB 57 amends GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

GASB Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*, issued January 2010, will be effective for the Organization beginning with its year ending December 31, 2010. This Statement provides guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. It establishes requirements for recognizing and measuring the effects of the bankruptcy process on assets and liabilities, and for classifying changes in those items and related costs.

The Organization's management has not yet determined the effect these Statements will have on the Organization's financial statements.

Note 15. Hurricane Katrina

On August 29, 2005, southeastern Louisiana and southern Mississippi were impacted by Hurricane Katrina, and its resulting aftermath. The economy, population and infrastructure of the metropolitan New Orleans area, in particular, have been severely affected. The Hospital is located in Metairie, Louisiana, and suffered disruption of business and damage to its structures from the effects of the Hurricane. Additionally, the State's charity hospital system facilities in the New Orleans area were heavily damaged which resulted in a substantial increase in the number of uninsured patients at East Jefferson General Hospital. Management believes this change in payor mix has had dramatic negative impact on the net patient service revenue recognized by the Hospital. In addition, post-discharge programs such as home health care have been affected, leading to increased length of stay at the Hospital. The State of Louisiana is currently evaluating how to adequately compensate the affected providers for this shift in patient census.

Additionally the Hospital has filed claims with the State of Louisiana's assistance programs and with the Federal Emergency Management Agency (FEMA). The Hospital has received \$2,262,310 and \$540,565 in reimbursement from FEMA and other insurers for flood damage, which have been included in the accompanying combined statements of revenue, expenses and changes in net assets as nonoperating revenue for the years ended December 31, 2009 and 2008, respectively.

As of the date of these financial statements management cannot reasonably estimate the remaining amount of reimbursement for outstanding damage and loss claims, including amounts to be received from FEMA and State of Louisiana assistance programs. The ultimate future effect of this event on the ongoing operations of the Hospital is unknown.

Note 16. Subsequent Event

On February 10, 2010 the Hospital entered into an agreement to purchase land for approximately \$5,171,000.

SUPPLEMENTARY INFORMATION

**East Jefferson General Hospital
and Related Organizations**

**Required Supplementary Information
Retirement Plan
December 31, 2009**

Schedule of Funding Progress	2009	2008	2007
Actuarial valuation date	1/1/10	1/1/09	1/1/08
Actuarial value of assets (AVA)	\$ 32,249,681	\$ 37,047,904	\$ 39,790,947
Actuarial accrued liability (AAL)	\$ 59,702,876	\$ 56,941,416	\$ 54,976,707
Unfunded AAL (UAAL)	\$ 27,453,195	\$ 19,893,512	\$ 15,185,760
Funded ratio	54.0%	65.1%	72.4%
Annual covered payroll	\$ 57,757,738	\$ 61,093,503	\$ 67,011,684

The information presented in the required supplementary schedule was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation follows:

1. The valuation date is January 1, 2010.
2. The actuarial method used is traditional unit credit.
3. The amortization method is a level dollar open method. The remaining amortization period is 30 years.
4. The assets are shown at fair value.
5. Economic assumptions are as follows: investment rate of return of 8.5% and no projected salary increases.

**East Jefferson General Hospital
and Related Organizations**

**Required Supplementary Information
Other Postemployment Benefit Plan**

Schedule of Funding Progress						
Actuarial Valuation Date	Actuarial Value of Net Assets (a)	Accrued Liability (AAL) (b)	Unfunded (Over- funded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
12/31/2007	\$ -	\$ 2,495,161	\$ 2,495,161	- %	\$ 6,568,451	38%

Note: Fiscal year 2007 is the transition year for GASB Statement No. 45.

The information presented in the required supplementary schedule was determined as part of the actuarial valuation as of December 31, 2007. Additional information follows:

1. The cost method used to determine the ARC is the Projected Unit Credit Actuarial Cost method.
2. There are no plan assets.
3. Economic assumptions are discount rate of 4.0%.
4. The amortization method is open period, level dollar.

**East Jefferson General Hospital
and Related Organizations**

**Combining Balance Sheet
December 31, 2009**

Assets	EJGH	EJRO, LLC	EJPG, LLC	EJPN, LLC	PET Scan	EJASC, LLC	SURG, LLC	ORTHO, LLC	Eliminations	Continued
Current Assets:										
Cash and cash equivalents	\$ 1,771,623	\$ 1,806,855	\$ 1,371,587	\$ 83,455	\$ 1,144,930	\$ 1,243,099	\$ 69,897	\$ 42,054	\$ -	\$ 7,333,500
Short-term investments	55,813,682	-	-	-	-	1,005,375	-	-	-	56,819,057
Receivables:										
Patients, net	34,547,273	758,881	1,061,738	-	284,879	614,046	-	-	-	37,246,817
Other	13,721,679	34,863	-	290,822	563	-	-	50,000	(12,168,797)	1,930,930
Assets limited as to use, current portion	7,839,907	-	-	-	-	-	-	-	-	7,839,907
Inventories	7,534,884	-	-	-	-	-	-	-	-	7,534,884
Prepaid expenses	5,975,348	100,000	781,945	-	23,399	24,229	-	-	-	6,904,921
Total current assets	127,004,176	2,500,399	3,215,270	374,277	1,433,771	2,886,749	69,897	92,054	(12,168,797)	125,409,796
Noncurrent Assets:										
Assets limited as to use:										
Under bond indenture	27,569,077	-	-	-	-	-	-	-	-	27,569,077
Board-designated for specific purposes	126,998,730	-	-	-	-	-	-	-	-	126,998,730
	154,567,807	-	-	-	-	-	-	-	-	154,567,807
Less portion required for current liabilities	7,839,907	-	-	-	-	-	-	-	-	7,839,907
	146,727,900	-	-	-	-	-	-	-	-	146,727,900
Capital assets	205,365,711	4,514,025	94,767	-	258,214	2,006,373	-	-	(1,384,975)	210,864,115
Debt issuance costs, net of accumulated amortization	2,280,465	-	-	-	-	5,000	-	-	-	2,285,465
Investment in related organizations and associated companies *	(380,407)	-	-	-	-	-	-	-	3,921,123	3,540,716
Deferred compensation and life insurance	2,363,530	-	-	-	-	-	-	-	-	2,363,530
Total noncurrent assets	358,357,189	4,514,025	94,767	-	258,214	2,011,373	-	-	2,536,148	365,781,726
	\$ 483,361,375	\$ 7,014,424	\$ 3,310,037	\$ 374,277	\$ 1,701,885	\$ 4,898,122	\$ 69,897	\$ 92,054	\$ (9,632,649)	\$ 491,191,522

* EJGH carries its investment in EJPN, LLC at none as of December 31, 2009. This investment should be carried at \$178,591. The effects of this investment have been properly eliminated in the combined balance sheet as of December 31, 2009.

Liabilities and Net Assets	EJGH	EJRO, LLC	EJPG, LLC	EJPN, LLC	PET Scan	EJASC, LLC	SURG, LLC	ORTHO, LLC	Eliminations	Combined
Current Liabilities:										
Current maturities of long-term debt	\$ 4,580,585	\$ 579,731	\$ -	\$ -	\$ -	\$ 237,228	\$ -	\$ -	\$ -	\$ 5,397,542
Accounts payable	11,274,218	657,187	11,508,989	-	92,469	89,963	-	-	(11,980,511)	11,642,315
Accrued expenses:										
Salaries and wages	4,294,053	-	23,384	-	-	-	-	-	-	4,317,437
Paid leave	4,287,464	-	-	-	-	-	-	-	-	4,287,464
Health insurance claims	1,799,101	-	-	-	-	-	-	-	-	1,799,101
Interest	3,548,308	-	-	-	-	-	-	-	-	3,548,308
Estimated third-party payor settlements	1,530,865	-	-	-	-	-	-	-	-	1,530,865
Other	11,340,549	-	-	186,286	8,000	20,408	-	-	(186,286)	11,368,957
Total current liabilities	42,855,143	1,236,918	11,532,373	186,286	100,469	347,597	-	-	(12,166,797)	43,891,989
Noncurrent Liabilities:										
Deferred compensation and executive benefits	1,291,605	-	-	-	-	-	-	-	-	1,291,605
Retirement benefits	898,805	-	-	-	-	-	-	-	-	898,805
Estimated self-insurance reserves	3,395,484	-	-	-	-	-	-	-	-	3,395,484
Long-term debt, less current maturities	193,755,356	3,374,019	-	-	-	1,642,983	-	-	-	198,772,358
Other accrued expenses	4,494,737	-	-	-	-	1,044,359	-	-	(1,044,359)	4,494,737
Accrued interest	5,886,962	-	-	-	-	-	-	-	-	5,886,962
Interest rate swap	2,941,311	-	-	-	-	-	-	-	-	2,941,311
Minority interest in related organizations	-	-	-	-	-	-	-	-	1,875,393	1,875,393
Total noncurrent liabilities	212,654,260	3,374,019	-	-	-	2,687,342	-	-	831,034	219,556,655
Total liabilities	255,319,403	4,610,937	11,532,373	186,286	100,469	3,034,939	-	-	(11,335,763)	263,448,644
Net Assets:										
Invested in capital assets, net of related debt	68,054,715	560,275	94,767	-	268,214	126,184	-	-	(1,384,875)	67,719,160
Restricted under bond indenture	27,569,077	-	-	-	-	-	-	-	-	27,569,077
Unrestricted*	132,418,180	1,843,212	(8,317,103)	187,991	1,333,302	1,737,019	69,897	92,054	3,090,889	132,454,641
Total net assets	228,041,972	2,403,487	(8,222,336)	187,991	1,601,516	1,863,183	69,897	92,054	1,705,114	227,742,878
	\$ 483,361,375	\$ 7,014,424	\$ 3,310,037	\$ 374,277	\$ 1,701,985	\$ 4,898,122	\$ 69,897	\$ 92,054	\$ (9,630,649)	\$ 491,191,522

**East Jefferson General Hospital
and Related Organizations**

**Combining Balance Sheet
December 31, 2008**

Assets	EJGH	EJRO, LLC	EJPG, LLC	EJPN, LLC	PET Scan	EJASC, LLC	Eliminations	Combined
Current Assets:								
Cash and cash equivalents	\$ -	\$ 3,944,207	\$ 1,807,360	\$ 83,373	\$ 1,220,552	\$ 1,477,564	\$ -	\$ 8,533,056
Short-term investments	50,181,792	-	-	-	-	-	-	50,181,792
Receivables:								
Patients, net	35,130,694	1,074,351	2,506,159	-	379,019	798,533	-	39,888,756
Other	9,520,813	34,663	-	264,615	26,135	-	(8,691,807)	1,154,419
Assets limited as to use, current portion	10,880,871	-	-	-	-	-	-	10,880,871
Inventories	7,175,623	-	-	-	-	-	-	7,175,623
Prepaid expenses	4,759,288	-	556,778	-	35,898	11,268	-	5,363,232
Total current assets	117,649,081	5,053,221	4,870,297	347,988	1,661,604	2,287,365	(8,691,807)	123,177,749
Noncurrent Assets:								
Assets limited as to use:								
Under bond indenture	36,902,535	-	-	-	-	-	-	36,902,535
Board-designated for specific purposes	130,896,532	-	-	-	-	-	-	130,896,532
	167,799,067	-	-	-	-	-	-	167,799,067
Less portion required for current liabilities	10,880,871	-	-	-	-	-	-	10,880,871
	156,918,196	-	-	-	-	-	-	156,918,196
Capital assets	214,831,289	5,177,967	151,007	-	353,366	2,279,130	(1,384,975)	221,407,784
Debt issuance costs, net of accumulated amortization	2,569,560	-	-	-	-	8,000	-	2,577,560
Investment in related organizations and associated companies *	5,669,558	-	-	-	-	-	(3,391,134)	2,278,424
Deferred compensation and life insurance	2,201,778	-	-	-	-	-	-	2,201,778
Total noncurrent assets	382,190,381	5,177,967	151,007	-	353,366	2,287,130	(4,776,109)	385,383,742
	\$ 499,839,462	\$ 10,231,188	\$ 5,021,304	\$ 347,988	\$ 2,014,970	\$ 4,574,495	\$ (13,467,916)	\$ 508,561,491

* EJGH carries its investment in EJPN, LLC at none as of December 31, 2008. This investment should be carried at \$166,442. The effects of this investment have been properly eliminated in the combined balance sheet as of December 31, 2008.

Liabilities and Net Assets	EJGH	EJRO, LLC	EJPG, LLC	EJPN, LLC	PET Scan	EJASC, LLC	Eliminations	Combined
Current Liabilities:								
Current maturities of long-term debt	\$ 7,839,109	\$ 542,692	\$ -	\$ -	\$ -	\$ 181,600	\$ (368,163)	\$ 8,195,238
Excess of outstanding checks over bank balances	1,336,689	-	-	-	-	-	-	1,336,689
Accounts payable	9,355,361	1,091,907	8,065,079	-	56,886	45,556	(8,519,021)	10,094,768
Accrued expenses:								
Salaries and wages	3,828,181	-	30,000	-	-	-	-	3,858,181
Paid leave	4,446,536	-	-	-	-	-	-	4,446,536
Health Insurance claims	2,019,248	-	-	-	-	-	-	2,019,248
Interest	3,640,686	-	-	-	-	-	-	3,640,686
Estimated third-party payor settlements	615,362	-	-	-	-	-	-	615,362
Other	14,484,245	-	-	172,786	83,169	35,687	(172,786)	14,603,101
Total current liabilities	47,565,417	1,634,599	8,095,079	172,786	139,055	262,843	(9,059,970)	48,809,809
Noncurrent Liabilities:								
Deferred compensation and executive benefits	1,135,687	-	-	-	-	-	-	1,135,687
Retirement benefits	612,049	-	-	-	-	-	-	612,049
Estimated self-insurance reserves	3,294,900	-	-	-	-	-	-	3,294,900
Long-term debt, less current maturities	198,335,941	3,953,751	-	-	-	1,899,995	-	204,189,687
Other accrued expenses	3,742,588	-	-	-	-	783,304	(783,304)	3,742,588
Accrued interest	4,201,778	-	-	-	-	-	-	4,201,778
Interest rate swap	2,969,264	-	-	-	-	-	-	2,969,264
Minority interest in related organizations	-	-	-	-	-	-	1,807,926	1,807,926
Total noncurrent liabilities	214,292,207	3,953,751	-	-	-	2,683,299	1,024,622	221,953,879
Total liabilities	261,857,624	5,588,350	8,095,079	172,786	139,055	2,946,142	(8,035,348)	270,763,688
Net Assets:								
Invested in capital assets, net of related debt	69,663,189	681,524	151,007	-	353,366	197,535	(998,812)	70,047,809
Restricted under bond indenture	28,840,796	-	-	-	-	-	-	28,840,796
Unrestricted *	139,477,853	3,961,314	(3,224,782)	175,202	1,522,549	1,430,818	(4,433,756)	138,909,198
Total net assets	237,981,838	4,642,838	(3,073,775)	175,202	1,875,915	1,628,353	(5,432,568)	237,797,803
	\$ 499,839,462	\$ 10,231,188	\$ 5,021,304	\$ 347,988	\$ 2,014,970	\$ 4,574,495	\$ (13,467,916)	\$ 508,561,491

**East Jefferson General Hospital
And Related Organizations**

**Combining Statement of Revenue, Expenses and Changes in Net Assets
Year Ended December 31, 2009**

	EJGH	EJRO, LLC	EJPO, LLC	EPH, LLC	PET Scan	EJASC, LLC	SURG, LLC	ORTHO, LLC	Eliminations	Combined
Operating revenue:										
Net patient service revenue	\$ 315,908,122	\$ 14,235,880	\$ 10,707,329	\$ -	\$ 2,121,814	\$ 5,612,963	\$ -	\$ -	\$ -	\$ 348,486,908
Other operating revenue	7,405,483	83,787	30,000	-	-	-	146,707	-	(2,723,700)	4,942,257
Total operating revenue	323,314,605	14,319,667	10,737,329	-	2,121,814	5,612,963	146,707	-	(2,723,700)	353,429,165
Operating expenses:										
Salaries, wages and benefits	158,960,802	-	13,412,351	-	-	997,068	-	-	-	173,370,209
Purchased services and other	93,578,912	8,863,050	2,191,055	13,500	1,200,922	1,232,220	145,687	9,986	(2,993,828)	104,241,504
Supplies	64,012,040	332,006	234,327	-	-	914,385	-	-	-	55,492,758
Depreciation and amortization	23,631,611	663,942	56,239	-	85,151	282,679	-	-	-	24,719,622
Interest	8,792,658	-	-	-	-	153,706	-	-	-	8,946,362
Total operating expenses	338,976,021	9,858,998	15,893,972	13,500	1,286,073	3,580,046	145,687	9,986	(2,993,828)	366,778,455
Income (loss) from operations	(15,661,416)	4,460,669	(5,156,643)	(13,500)	835,741	1,032,917	1,020	(9,986)	270,128	(10,341,290)
Nonoperating revenue (expenses):										
Investment earnings	(2,188,331)	-	8,082	81	3,538	6,117	-	-	-	(2,170,513)
Rental income from leases	4,854,834	-	-	26,208	-	-	-	-	(368,163)	4,512,879
Community benefit services	(167,882)	-	-	-	-	-	-	-	-	(167,882)
Gain (loss) on disposal of capital assets	(80,325)	-	-	-	-	-	-	-	-	(80,325)
Grant revenue	2,313,700	-	-	-	-	-	-	-	-	2,313,700
Contributions	95,723	-	-	-	-	-	-	-	-	95,723
Equity in net income (loss) of related organizations and associated companies	2,060,151	-	-	-	-	-	-	-	(797,859)	1,262,292
Change in fair value of interest rate swap agreement	27,953	-	-	-	-	-	-	-	-	27,953
Other	-	-	-	-	-	45,796	-	-	-	45,796
	6,915,823	-	8,082	26,289	3,538	51,913	-	-	(1,166,022)	5,839,623
Excess of revenue over (under) expenses before capital contribution (distribution), transfers and minority interest	(8,745,593)	4,460,649	(5,148,561)	12,789	839,079	1,084,830	1,020	(9,986)	(895,894)	(7,501,667)
Capital contribution (distribution)	-	(8,700,000)	-	-	(1,113,478)	(1,758,000)	68,677	102,040	9,302,561	-
Transfers to Jefferson Parish	(1,194,273)	-	-	-	-	-	-	-	-	(1,194,273)
Minority interest in net income of related organizations	-	-	-	-	-	-	-	-	(1,358,985)	(1,358,985)
Change in net assets	(9,939,866)	(2,239,351)	(5,148,561)	12,789	(274,399)	234,830	69,897	92,054	7,137,662	(10,054,825)
Net assets:										
Beginning	237,961,838	4,642,838	(3,673,775)	175,202	1,875,915	1,828,353	-	-	(5,432,568)	237,797,803
Ending	\$ 228,041,972	\$ 2,403,487	\$ (8,222,336)	\$ 187,991	\$ 1,601,516	\$ 1,063,183	\$ 69,897	\$ 92,054	\$ 1,705,114	\$ 227,742,878

**East Jefferson General Hospital
And Related Organizations**

**Combining Statement of Revenue, Expenses and Changes in Net Assets
Year Ended December 31, 2008**

	EJGH	EJRO, LLC	EJPG, LLC	EJPN, LLC	PET Scan	EJASC, LLC	EJCV, LLC	Eliminations	Combined
Operating revenue:									
Net patient service revenue	\$ 300,857,358	\$ 12,688,978	\$ 5,438,665	\$ -	\$ 2,502,363	\$ 6,040,157	\$ -	\$ -	\$ 327,327,521
Other operating revenue	7,926,895	119,828	-	-	-	-	-	(2,759,677)	5,287,046
Total operating revenue	308,584,253	12,808,806	5,438,665	-	2,502,363	6,040,157	-	(2,759,677)	332,614,567
Operating expenses:									
Salaries, wages and benefits	163,177,017	-	6,888,476	-	-	1,048,694	-	-	171,114,187
Purchased services and other	90,989,597	7,361,369	779,391	13,500	1,362,507	1,240,920	-	(2,793,187)	98,954,097
Supplies	53,184,115	383,569	168,727	-	-	890,880	-	-	54,605,291
Depreciation and amortization	25,079,233	187,825	58,368	-	85,130	289,001	-	(1,193,450)	24,506,107
Interest	9,405,881	-	-	-	-	184,449	-	-	9,590,130
Total operating expenses	341,815,843	7,932,763	7,892,962	13,500	1,447,637	3,653,944	-	(3,986,637)	358,769,812
Income (loss) from operations	(33,231,390)	4,876,043	(2,454,297)	(13,500)	1,054,726	2,386,213	-	1,226,960	(26,155,245)
Nonoperating revenue (expenses):									
Investment earnings	12,794,806	-	26,357	867	6,308	11,012	-	-	12,839,150
Gain on sale of investment in associated company	4,450,165	-	-	-	-	-	-	-	4,450,165
Rental income from leases	4,237,800	-	-	26,208	-	-	-	(526,421)	3,737,587
Community benefit services	(424,608)	-	-	-	-	-	-	-	(424,608)
Gain (loss) on disposal of capital assets	(49,598)	-	-	-	-	-	(98,313)	-	(147,911)
Grant revenue	540,565	-	-	-	-	-	-	-	540,565
Contributions	380,603	-	-	-	-	-	-	-	380,603
Equity in net income (loss) of related organizations and associated companies	4,495,987	-	-	-	-	-	-	(4,156,008)	339,989
Change in fair value of interest rate swap agreement	(2,327,598)	-	-	-	-	-	-	-	(2,327,598)
Other	(52,071)	-	-	-	-	3,521	(734,504)	-	(783,054)
	24,045,861	-	26,357	27,075	6,308	14,533	(832,817)	(4,682,429)	18,604,886
Excess of revenue over (under) expenses before capital contribution (distribution), transfers and minority interest	(9,185,529)	4,876,043	(2,427,940)	13,575	1,061,034	2,400,746	(832,817)	(3,455,469)	(7,550,357)
Capital contribution (distribution)	-	(5,668,432)	(845,835)	-	(2,037,752)	(2,440,000)	(304,913)	10,996,932	-
Transfers to Jefferson Parish	(2,067,172)	-	-	-	-	-	-	-	(2,067,172)
Minority interest in net income of related organizations	-	-	-	-	-	-	-	(1,262,345)	(1,262,345)
Change in net assets	(11,252,701)	(692,389)	(3,073,775)	13,575	(976,718)	(39,254)	(1,137,730)	6,279,118	(10,879,874)
Net assets:									
Beginning	249,234,539	5,335,227	-	161,627	2,852,633	1,667,607	1,137,730	(11,711,686)	248,677,677
Ending	\$ 237,981,838	\$ 4,642,838	\$ (3,073,775)	\$ 175,202	\$ 1,875,915	\$ 1,628,353	\$ -	\$ (5,432,568)	\$ 237,797,803

**East Jefferson General Hospital
and Related Organizations**

**Statements of Revenue, Expenses and Changes in Net Assets Information
(Hospital Only)
Years Ended December 31, 2009 and 2008**

Gross Patient Service Revenue, Summary by Department	2009		
	Inpatient	Outpatient	Total
Routine care services:			
Medical and surgical	\$ 61,223,621	\$ 10,041,778	\$ 71,265,399
Intensive care	20,742,411	419	20,742,830
Coronary care	6,346,704	-	6,346,704
Psychiatric care	5,135,500	712,764	5,848,264
Nursery	10,374,272	2,601	10,376,873
Rehabilitation	2,442,016	-	2,442,016
Skilled nursing facility	5,638,946	-	5,638,946
	<u>111,903,470</u>	<u>10,757,562</u>	<u>122,661,032</u>
Ancillary services:			
Ambulance	3,431,035	12,084,110	15,515,145
Anesthesiology	17,546,948	13,936,598	31,483,546
Blood bank	9,811,035	2,636,373	12,447,408
Cardiology	40,474,310	56,610,835	97,085,145
Central supply	552,156	357,395	909,551
Dialysis	3,746,364	199,098	3,945,462
Electroencephalography	333,679	275,310	608,989
Emergency services	13,935,738	24,951,952	38,887,690
Endoscopy	2,783,383	6,435,793	9,219,176
Labor and delivery	7,210,699	697,198	7,907,897
Laboratory	40,143,198	40,231,385	80,374,583
Magnetic resonance imaging	3,898,691	9,705,420	13,604,111
Operating and recovery	119,217,815	76,569,430	195,787,245
Outpatient screening of wellness	-	1,627,661	1,627,661
Pharmacy and IV solution	110,070,436	69,164,008	179,234,444
Physical therapy	15,025,372	5,163,322	20,188,694
Physician network revenue	-	6,609,383	6,609,383
Radiation therapy	978,480	322,107	1,300,587
Radiology	40,699,057	75,578,651	116,277,708
Respiratory care	27,499,098	5,985,487	33,484,585
Wound care center	16,953	2,810,338	2,827,291
	<u>457,374,447</u>	<u>411,951,854</u>	<u>869,326,301</u>
	<u>\$ 569,277,917</u>	<u>\$ 422,709,416</u>	<u>991,987,333</u>
Less charity care			1,203,313
Gross patient service revenue			990,784,020
Less discounts, allowances and estimated contractual adjustments under third- party reimbursement programs			653,239,384
Less provision for bad debts			21,635,514
Net patient service revenue			\$ 315,909,122

2008		
Inpatient	Outpatient	Total
\$ 66,668,177	\$ 9,791,267	\$ 76,459,444
22,962,807	-	22,962,807
8,018,905	-	8,018,905
5,298,954	709,732	6,008,686
12,267,130	1,637	12,268,767
2,452,587	-	2,452,587
5,465,237	-	5,465,237
123,133,797	10,502,636	133,636,433

3,276,272	11,766,583	15,042,855
17,486,392	14,479,625	31,966,017
10,251,882	2,974,168	13,226,050
54,666,951	47,712,558	102,379,509
686,070	356,949	1,043,019
3,268,266	382,351	3,650,617
366,535	295,478	662,013
13,229,734	27,718,758	40,948,492
3,192,522	6,504,140	9,696,662
8,297,960	825,621	9,123,581
41,291,783	37,635,502	78,927,285
4,146,744	10,961,353	15,108,097
114,922,698	76,832,386	191,755,084
-	1,849,754	1,849,754
117,378,701	57,990,314	175,369,015
14,357,442	4,870,431	19,027,873
-	18,077,355	18,077,355
874,934	383,875	1,258,809
41,270,348	72,142,429	113,412,777
24,161,682	5,656,556	29,818,238
28,473	2,336,012	2,364,485
473,155,389	401,552,198	874,707,587
\$ 596,289,186	\$ 412,054,834	1,008,344,020

1,405,785

1,006,938,235

673,878,061

32,402,816

\$ 300,657,358

**East Jefferson General Hospital
and Related Organizations**

**Statements of Revenue, Expenses and Changes in Net Assets Information
(Hospital Only)**

Years Ended December 31, 2009 and 2008

Other Operating Revenue	2009	2008
Cafeteria	\$ 1,954,711	\$ 2,054,120
Educational fees	20,308	29,588
Special meals	969,804	966,955
Vending machines	391,923	394,740
LTAC services	667,153	880,828
Wellness Center membership fees	2,618,381	2,999,472
Elder Advantage fees	25,815	23,665
Miscellaneous	757,388	577,527
	<u>\$ 7,405,483</u>	<u>\$ 7,926,895</u>

**Provision for Discounts, Allowances and Estimated
Contractual Adjustments under Third-Party
Reimbursement Programs**

Medicare contractual adjustments	\$ 398,736,449	\$ 392,902,324
Medicaid contractual adjustments	48,673,381	54,246,208
Medicaid supplemental payments	(10,965,730)	-
Managed care discounts	216,795,284	226,729,529
	<u>\$ 653,239,384</u>	<u>\$ 673,878,061</u>

**East Jefferson General Hospital
and Related Organizations**

**Statements of Revenue, Expenses and Changes in Net Assets Information
(Hospital Only)
Years Ended December 31, 2009 and 2008**

Departmental Expenses	2009			
	Salaries, Wages and Benefits	Purchased Services and Other	Supplies	Total
Routine services:				
Medical and surgical	\$ 26,174,017	\$ 996,950	\$ 1,837,176	\$ 29,008,143
Intensive care	5,054,051	261,800	440,002	5,755,853
Coronary care	1,862,022	97,898	113,420	2,073,340
Psychiatric care	2,036,140	228,983	27,230	2,292,353
Nursery	3,281,966	160,831	132,980	3,575,777
Nursing administration	858,862	16,109	13,548	888,519
Rehabilitation	1,179,109	137,625	70,548	1,387,282
Skilled nursing facility	2,974,712	111,766	169,527	3,256,005
	<u>43,420,879</u>	<u>2,011,962</u>	<u>2,804,431</u>	<u>48,237,272</u>
Ancillary services:				
Ambulance	3,202,242	129,449	354,112	3,685,803
Anesthesiology	144,945	3,526,849	1,189,819	4,861,613
Blood bank	803,145	296,184	2,647,053	3,746,382
Cardiology	3,066,191	245,662	6,591,398	9,903,251
Central supply	485,132	590,399	371,327	1,446,858
Dialysis	-	862,418	9,646	872,064
Electroencephalography	68,612	4,728	4,086	77,426
Emergency services	5,555,230	1,212,895	695,162	7,463,287
Endoscopy	788,479	7,538	497,981	1,293,998
Labor and delivery	1,401,257	91,265	268,562	1,761,084
Laboratory	3,564,268	1,647,446	2,000,310	7,212,024
Magnetic resonance imaging	379,865	9,289	211,177	600,331
Operating and recovery	9,227,449	2,409,796	27,712,762	39,350,007
Occupational Medicine & Wellness Center	2,304,775	1,640,795	160,673	4,106,243
Pharmacy and IV solution	4,683,917	23,822,689	85,473	28,592,079
Physical therapy	3,984,810	584,200	99,426	4,668,436
Radiation therapy	73,463	878,065	2,173	953,701
Radiology	5,547,589	2,749,745	2,957,076	11,254,410
Respiratory care	4,513,188	199,210	585,152	5,297,550
Wound care center	369,196	173,629	169,228	712,053
	<u>\$ 50,163,753</u>	<u>\$ 41,082,251</u>	<u>\$ 46,612,596</u>	<u>\$ 137,858,600</u>

2008

Salaries, Wages and Benefits	Purchased Services and Other	Supplies	Total
\$ 26,852,083	\$ 1,484,611	\$ 1,723,922	\$ 30,060,616
5,149,823	752,546	557,679	6,460,048
2,003,614	346,779	164,637	2,515,030
2,003,274	254,340	27,325	2,284,939
3,595,404	198,997	183,782	3,978,183
934,010	6,319	27,497	967,826
1,173,905	137,255	82,968	1,394,128
2,626,965	161,529	133,014	2,921,508
44,339,078	3,342,376	2,900,824	50,582,278

3,756,773	(1,622,343)	540,545	2,674,975
180,424	2,387,307	1,137,348	3,705,079
840,927	236,233	2,610,347	3,687,507
3,728,739	272,993	7,602,540	11,604,272
479,452	485,932	1,149,192	2,114,576
-	872,469	8,641	881,110
76,716	1,090	4,686	82,492
5,292,534	1,299,324	669,451	7,261,309
778,780	7,224	444,026	1,230,030
1,715,867	48,421	442,352	2,206,640
3,505,645	1,413,857	1,783,987	6,703,489
394,058	6,041	206,462	606,561
7,810,145	2,711,092	23,931,712	34,452,949
2,174,259	1,949,763	246,339	4,370,361
4,079,205	22,727,457	138,294	26,944,956
4,020,622	339,097	83,356	4,443,075
91,949	807,939	4,987	904,875
5,215,742	1,238,370	3,186,979	9,641,091
4,240,220	517,868	622,481	5,380,569
450,996	28,011	229,119	708,126
\$ 48,833,053	\$ 35,728,145	\$ 45,042,844	\$ 129,604,042

(Continued)

**East Jefferson General Hospital
and Related Organizations**

**Statements of Revenue, Expenses and Changes in Net Assets Information
(Hospital Only) (Continued)
Years Ended December 31, 2009 and 2008**

Departmental Expenses	2009			
	Salaries, Wages and Benefits	Purchased Services and Other	Supplies	Total
General services:				
Dietary and cafeteria	\$ 2,306,439	\$ 168,834	\$ 2,046,467	\$ 4,521,740
Housekeeping	2,628,405	1,080,209	576,437	4,285,051
Laundry	-	106,407	27,406	133,813
Plant engineering and security	3,838,626	5,260,826	621,114	9,720,566
Utilities	-	3,858,792	-	3,858,792
	<u>8,773,470</u>	<u>10,475,068</u>	<u>3,271,424</u>	<u>22,519,962</u>
Fiscal and administrative services:				
Accounting	661,182	9,150	15,791	686,123
Administration	13,466,157	11,335,653	330,428	25,132,238
Information systems	621,833	10,376,924	102,927	11,101,684
Education	168,493	20,845	9,430	198,768
Employee benefits	27,690,126	-	-	27,690,126
Financial support services	-	-	-	-
Insurance	-	5,161,647	-	5,161,647
Medical records	2,176,717	1,116,643	27,007	3,320,367
Miscellaneous	-	870,472	-	870,472
Patient accounts	3,080,967	2,348,935	39,964	5,469,866
Personnel	2,301,491	196,330	19,305	2,517,126
Physician's network	4,366,511	1,608,165	89,575	6,064,251
Printing and duplication	71,594	744,004	257,919	1,073,517
Professional fees	-	2,741,888	-	2,741,888
Public relations	1,244,341	2,296,464	45,639	3,586,444
Purchasing	325,507	102,309	362,389	790,205
Telephone service	240,864	1,102,735	1,282	1,344,881
Volunteer services	186,917	(22,533)	21,933	186,317
	<u>56,602,700</u>	<u>40,009,631</u>	<u>1,323,589</u>	<u>97,935,920</u>
Total	\$ 158,960,802	\$ 93,578,912	\$ 54,012,040	\$ 306,551,754

2008

Salaries, Wages and Benefits	Purchased Services and Other	Supplies	Total
\$ 2,435,035	\$ 214,689	\$ 2,245,382	\$ 4,895,106
2,457,302	756,785	559,255	3,773,342
-	104,000	24,041	128,041
3,673,177	5,618,710	752,880	10,044,767
-	5,326,615	-	5,326,615
8,565,514	12,020,799	3,581,558	24,167,871

589,030	(3,940)	11,367	596,457
17,121,898	9,471,529	396,171	26,989,598
531,149	12,912,772	141,152	13,585,073
162,258	24,332	20,257	206,847
25,715,460	-	-	25,715,460
-	-	-	-
-	4,826,810	-	4,826,810
2,178,936	883,985	35,054	3,097,975
-	1,233,356	-	1,233,356
2,948,755	2,229,492	55,524	5,233,771
2,082,132	374,601	20,003	2,476,736
8,084,237	2,530,768	210,567	10,825,572
73,280	500,072	381,683	955,035
-	2,246,455	-	2,246,455
1,177,664	2,651,862	43,519	3,873,045
367,236	45,242	300,820	713,298
227,305	254	1,760	229,319
180,032	(29,313)	21,012	171,731
61,439,372	39,898,277	1,638,889	102,976,538
\$ 163,177,017	\$ 90,989,597	\$ 53,164,115	\$ 307,330,729

**East Jefferson General Hospital
and Related Organizations**

**Hospital Statistics
Years Ended December 31, 2009 and 2008**

	(Unaudited)	
	2009	2008
Total admissions	19,237	21,118
Inpatient admissions, excluding nursery and specialty units	17,474	19,141
Nursery, newborn and neonatal	1,763	1,977
Total patient days of service	111,426	124,414
Inpatients, excluding nursery and specialty units	91,340	120,386
Nursery, neonatal	3,492	4,028
Nursery, newborn	3,687	4,536
Special care units days of service, included in inpatient days of service above:		
Psychiatric unit	7,189	7,414
Rehabilitation unit	4,581	4,610
Skilled nursing facility unit	10,975	12,780
Average daily census	305.3	339.9
Inpatients, excluding nursery and specialty units	250.2	328.9
Nursery, neonatal	9.6	11.0
Nursery, newborn	8.9	12.4
Percentage of occupancy, inpatients, excluding nursery	70.2%	75.6%
Medicare percentage of total patient days	53.6%	56.8%
Average length of stay (days):		
Inpatients, excluding nursery	5.8	6.3
Nursery, newborn and neonatal	2.2	2.0
Psychiatric unit	7.9	9.0
Rehabilitation unit	14.5	17.2
Skilled nursing facility unit	11.9	12.3

**East Jefferson General Hospital
and Related Organizations**

**Hospital Statistics
Years Ended December 31, 2009 and 2008**

	(Unaudited)	
	2009	2008
Ambulance runs	26,507	22,766
Anesthesiology cases	16,219	15,069
Blood bank units of service	118,250	108,660
Cardiology:		
Cath lab procedures	12,322	11,996
Noninvasive procedures	70,903	73,648
Deliveries, newborn	1,671	2,119
EEG tests	1,511	1,686
Emergency room visits	53,998	50,859
Endoscopy procedures	11,332	11,940
Laboratory units of service	1,247,153	1,255,022
Surgical hours	26,308	26,110
Open heart operations	262	393
Physical therapy relative value units	106,705	89,451
Recovery room visits	15,811	19,033
Respiratory care units of service	504,441	412,238
Radiology:		
Diagnostic exams	85,794	88,240
CT scans	40,205	39,267
Nuclear medicine exams	12,792	12,846
Ultrasonic procedures	16,375	16,542
Special procedures	2,906	3,550
MRI procedures	7,634	8,420
Full-time equivalent employees	2,333	2,462

McGladrey & Pullen

Certified Public Accountants



Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Board of Directors
East Jefferson General Hospital
Jefferson Parish, Louisiana

We have audited the combined basic financial statements of East Jefferson General Hospital and related organizations (Organization) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated April 29, 2010 and April 27, 2009, respectively. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We did not audit East Jefferson Radiation Oncology, LLC, East Jefferson Ambulatory Surgery Center, LLC and the pension trust fund statements of East Jefferson General Hospital for the years ended December 31, 2009 and 2008. Those financial statements were audited by other independent auditors whose report thereon has been furnished to us and, our opinion on the combined basic financial statements is based solely upon the reports of other independent auditors.

The financial statements of East Jefferson Ambulatory Surgery Center, LLC, PET Scan Center of East Jefferson, LLC, East Jefferson Radiation Oncology, LLC, East Jefferson Physicians Group, LLC, East Jefferson Cardiovascular Venture, LLC, East Jefferson General Surgery Co-Management Company, LLC, and East Jefferson Orthopedic Co-Management Company, LLC were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Organization's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Organization in a separate letter dated April 29, 2010.

This report is intended solely for the information and use of management, Board of Directors and others within the Organizations and is not intended to be and should not be used by anyone other than those specified parties.

McGladrey & Pullen, LLP

Davenport, Iowa
April 29, 2010

LeBlanc, LeBlanc, Roney & Heath

Metairie, Louisiana
April 29, 2010

McGladrey & Pullen

Certified Public Accountants

Independent Accountant's Report

To the Board of Directors
Jefferson Parish Hospital District No. 2
East Jefferson General Hospital
Jefferson Parish, Louisiana

MBIA Insurance Corporation
Armonk, New York

Financial Security Assurance, Inc.
New York, New York

We have compiled the accompanying Calculation of Maximum Annual Debt Service Coverage Ratio of Jefferson Parish Hospital District No. 2 for the year ended December 31, 2009. This calculation is defined in the Series 1993 Insurance Agreement, dated February 1, 1993, the First Amendment to the Insurance Agreement, dated November 1, 2006, and the Amended and Restated Insurance Agreement, dated January 26, 2009, with MBIA Insurance Corporation, and the Series 1998 Insurance Agreement, dated January 1, 1999, the First Amendment to the Insurance Agreement, dated November 1, 2006, and the Amended and Restated Insurance Agreement, dated January 20, 2009, with Financial Security Assurance, Inc.

A compilation is limited to presenting in an appropriate form information that is the representation of management. We have not audited or reviewed the accompanying Calculation of Maximum Annual Debt Service Coverage Ratio, and accordingly, do not express an opinion or any other form of assurance on it.

This report is intended solely for the information and use of the Board of Directors and management of Jefferson Parish Hospital District No. 2, MBIA Insurance Corporation and Financial Security Assurance, Inc. and is not intended to be and should not be used by anyone other than those specified parties.

McGladrey & Pullen, LLP

Davenport, Iowa
April 29, 2010

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**Jefferson Parish Hospital District No. 2
East Jefferson General Hospital**

**Calculation of Maximum Annual Debt Service Coverage Ratio
Year Ended December 31, 2009
See Accountant's Report**

Net income available for debt service:	
Excess of revenue (under) expenses	\$ (9,939,866)
Depreciation and amortization expense	23,631,611
Interest expense	8,792,656
Change in fair value of interest rate swap agreement	(27,953)
Change in unrealized gains and losses on investments	5,511,095
Net income available for debt service	<u>\$ 27,967,543</u>
Maximum annual debt service requirements (2016): *	
Principal payments	\$ 10,858,818
Interest payments	4,263,927
Maximum annual debt service requirements	<u>\$ 15,122,745</u>
Maximum annual debt service coverage ratio	<u>1.85</u>
Required maximum annual debt service coverage ratio	<u>1.10</u>

* The maximum annual debt service requirements exclude the amount of principal and interest outstanding on the Community Disaster Loan, which is in accordance with the Hospital's Amended and Restated Insurance Agreements.

The above amounts are for East Jefferson General Hospital, and exclude the financial results of the Hospital's related organizations as the related organizations are not members of the Obligated Group for the Hospital's bond indebtedness.

McGladrey & Pullen

Certified Public Accountants



Board of Directors
East Jefferson General Hospital
Jefferson Parish, Louisiana

In connection with our audit of the financial statements of East Jefferson General Hospital and related organizations as of and for the year ended December 31, 2009, we identified deficiencies in internal control over financial reporting (control deficiencies).

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect financial statement misstatements on a timely basis. A deficiency in design exists when a control necessary to meet the control objective is missing, or when an existing control is not properly designed so that even if the control operates as designed, the control objective is not always met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or qualifications to perform the control effectively.

A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to authorize, initiate, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected.

Certain control deficiencies that have been previously communicated to you, in writing, by us or by others within your Organization are not repeated herein.

Following are descriptions of other identified control deficiencies that we determined did not constitute significant deficiencies or material weaknesses:

CURRENT YEAR CONTROL DEFICIENCIES

Co-Management Companies

The Hospital invested in two new companies during 2009, East Jefferson General Surgery Co-Management Company, LLC and East Jefferson Orthopedic Co-Management Company, LLC. For the Co-Management Companies, we noted there were no financial statements prepared throughout the year, with the exception of check book registers and bank reconciliations. It is recommended that the transactions be maintained in an accounting system or other method resulting in a trial balance and the preparation of financial statements on a monthly basis.

We also noted the transactions with these two co-management companies recorded on the Hospital's general ledger were not properly recorded, which resulted in an audit adjustment. We recommend the Hospital ensure the transactions with related parties are recorded according to the purpose of the underlying transaction.

In addition, since the Hospital has a majority ownership in these new companies, the Organization's financial statements should include these companies. Also, see the recommendation in the prior year control deficiencies section of this letter for more information on the reporting of the Hospital's related organizations.

Management's Response: We are currently involved in a project with Titan Technology Partners to add additional companies (or Business Units) to the Hospital's General Leger system. This is a major change to the software involving significant setup and testing. Until the project is completed, we will set up these two companies in QuickBooks in order to produce financial statements. Additionally, in 2010, we will record the activity of these two companies based upon the suggestions of the auditors.

PRIOR YEAR CONTROL DEFICIENCIES

Bank Reconciliations

We noted there were several reconciling items on the bank reconciliations ranging in age from one month to a year old. While the cash reconciliations are performed monthly, these older reconciling items appear to not be resolved timely. We recommend all reconciling items be investigated as part of the normal monthly cash reconciliation process and be resolved timely.

Status: Resolved

Contractual Reserves

There was approximately \$500,000 in double postings of contractual allowance expense made to some patient accounts as of year-end. The cause of this double posting appears to be related to patient accounts with billings to both a primary insurer as well as a secondary insurer. When the third party payor submits their payment to the Hospital, the payment and contractual allowance from both payors are posted to the patient's account. This causes the patient account balance to be incorrect and in most cases results in an overall credit balance. We recommend the credit balances on patient accounts be monitored on a periodic basis (at least monthly) throughout the year. We also recommend the Hospital review its procedures for secondary insurer's payment processing.

Status: Resolved

External Financial Reporting for Related Organizations

In order for East Jefferson General Hospital's financial statements to be prepared in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, the Hospital's financial statements need to be combined with other related organizations for which the Hospital has controlling ownership interest. The number of organizations has increased the past few years with PET Scan Center of East Jefferson, LLC formed in 2002, East Jefferson Ambulatory Surgery Center, LLC formed in 2004, East Jefferson Radiation Oncology, LLC and East Jefferson Cardiovascular Venture, LLC both formed in 2006, and East Jefferson General Surgery Co-Management Company, LLC and East Jefferson Orthopedic Co-Management Company, LLC formed in 2009. Along with the increase in the number of organizations has come an increase in the number and complexity of related party transactions.

We understand that the Hospital's accounting department is not always processing the transactions and preparing the monthly financial statements for the related organizations as the organizations are having these services performed by others. We do, however, want to remind you that management of the Hospital needs to maintain oversight of these financial statements and is responsible for the financial reporting of these related organizations as their financial statements are combined with the Hospital for proper reporting in accordance with GAAP.

The accounting personnel of the Hospital should also have a direct relationship with the accountants for the related organizations so that inter-company transactions between the related organizations are properly recorded.

Status: IN PROCESS

Management's Response: The Accounting Department of East Jefferson General Hospital has established direct relationships with the related organizations in order to properly record the inter-company transactions between the entities.

Pharmacy Inventory

We understand that the Hospital conducts physical counts of its pharmacy inventory once a year (at the end of the fiscal year). The physical count amount is then compared to what is on the general ledger and the variance between the physical count and what is on the general ledger is then adjusted. In 2007 and 2006, the Hospital made an adjustment of approximately \$1,200,000 and \$1,100,000, respectively, in order to reconcile the physical count of the pharmacy inventory to the general ledger. We recommend either conducting physical inventory cycle counts periodically throughout the year (perhaps quarterly) or implementing a perpetual inventory system for pharmacy, particularly because pharmacy has such large volumes and high dollar amounts of items involved.

Status: IN PROCESS. The Pharmacy Department conducts physical inventory cycle counts during the year and at year-end; however, the controls over pharmacy inventory could be enhanced with the use of a perpetual inventory system.

Management's Response: Management agrees that additional improvement is warranted and is taking the following actions. The Pharmacy will conduct quarterly physical cycle counts on all controlled substances, and inventory counts on all non-controlled substances in Automated Dispensing Cabinets at the point of re-fill. The Director will submit a written report of the results of each cycle/inventory count to his Administrative Line Officer ("ALO"). The Pharmacy Director has submitted capital budget requests for a perpetual inventory system via installation of carousel technology. The Pharmacy Director will supervise the implementation of the plan of action and its approval and provide a written report of implementation status to management until the action plan is completed.

PET Scan Center of East Jefferson, LLC

We noted several of the estimated useful lives assigned to capital assets owned by the PET Scan Center were not appropriate. We recommend that Hospital management work with the PET Scan Center to assign proper lives to the depreciable assets. If an agreement on the proper depreciable lives assigned cannot be reached, Hospital management should adjust the financial information being combined into the Hospital's financial statements to reflect the appropriate lives for these assets and the related depreciation.

Status: IN PROCESS. The Hospital is working with PET Scan Center's accountant to ensure proper lives are assigned to new capital assets. The old capital asset life differences have not been corrected, but the differences are becoming smaller as only a couple of years remain on the lives.

Management's Response: Management will work with PET Scan Center's accountant to change the proper lives assigned to the capital assets. However, should it be necessary, internal staff will take responsibility to make adjustments and restate as appropriate.

Information Technology Related Comments

As part of the financial statement audit of East Jefferson General Hospital (EJGH), an IT specialist obtained an understanding of the general computer processes that support the financial and clinical applications onsite at EJGH in order to assess the design effectiveness of information technology (IT) controls. The following are results of this understanding, as well as our observations and recommendations:

IT Administration

Currently, EJGH does not employ IT staff which are not employees of the third-party service provider, Phoenix Health Systems, Inc. In addition, the oversight of the IT operations is not performed by an individual or group of individuals with the same level of expertise as the third-party operation to ensure the third party is operating in EJGH's best interest. We recommend that as a "best-practice", EJGH seek in-house personnel with the knowledge or technical experience equal to that of the third-party service provider. In addition they should oversee the day to day operations and decision making by the third-party service provider to ensure that they are operating in the Hospital's best interest, from a cost and efficiency perspective.

Status: UNRESOLVED

Management's Response: Management agrees with the need to hire a person, employed by East Jefferson General Hospital to oversee the actions of the third party service provider, Phoenix Health Systems, Inc. Management engaged a search firm to find a qualified individual and engaged a consultant to act as Interim CIO until the appropriate person could be found. Management has made an offer and received notice of acceptance as of April 15, 2010. We expect the permanent employee to be in place within a matter of weeks.

The Bio-Med department maintains a separate network outside the primary EJGH network. Also, the Bio-Med, Radiology, Pharmacy, Laboratory and Surgery departments maintain their own application security outside of EJGH's IT department system. We recommend a review of the procedures set forth by the departments who maintain information security independent of the IT department, a review of the security and configurations settings for the applications and network outside the IT department, and comparison against the guidelines set forth by the IT department. We also recommend EJGH consider moving to a centralized information security department.

Status: IN PROCESS. The application security for Bio-Med, Radiology, Pharmacy, Laboratory and Surgery departments is under control of the Hospital's IT department as of February 1, 2010. However, the Bio-Med department still maintains a primary network outside of the primary EJGH network.

Management's Response: Management has created policies and procedures which govern and direct application security. Management continues to plan for a merger of the networks before year-end.

Individual departments of EJGH are performing periodic user access reviews but it is not done on a regular basis. We recommend the frequency of this review should be performed quarterly or monthly.

Status: IN PROCESS. The Hospital implemented a new System Access Management system. However, it was noted that there is no procedure in place to maintain evidence of reviewing security logs. Also, there was no procedure in place that holds security administration accountable for completeness and timeliness of reviews.

Management's Response: Management has implemented the System Access Management (SAM) system and has captured user access documentation. This gives EJGH the ability to perform periodic user access reviews. Applications are currently being prioritized based on a risk analysis and management will begin a periodic review of the highest risk application security logs. Enhancing the security log review of key application systems will be an ongoing process; this will include implementing reporting and monitoring controls and processes.

Sensitive and Confidential Information

Currently, EJGH does not capture or monitor when sensitive or confidential information is downloaded to external hard drives, local drives, USB or CD drives. In addition, EJGH does not track or is not notified when sensitive or confidential information is emailed outside of EJGH's network. We recommend management consider implementing procedures to designate and prioritize what is considered sensitive or confidential information. Secondly, EJGH should consider implementing procedures to track when the information is sent outside EJGH via email. Any sensitive information sent via email should be sent encrypted, and should alert management when the information has been sent or prior to submission. Information which is downloaded to external or local devices should be tracked and monitored for security purposes to the extent which increases security, but does not hinder business efficiency.

Status: Resolved.

IT Policies and Procedures

EJGH's policies and procedures over information security data ownership, periodic review of user access, information system operations and network security have not been updated recently. We recommend these Information System policies and procedures be reviewed by EJGH to ensure proper procedures are in place and all the appropriate information is included in the policies.

Status: Resolved.

PeopleSoft Security

As part of the information systems testing, we reviewed a list of all users with an authorization action to maintain correction mode in PeopleSoft Financials and PeopleSoft HRMS modules. This correction mode enables a user to overwrite data, thereby erasing historical data and should be properly restricted as to the user with access. The results of this review were 61 of 70 users had inappropriate access to correction mode within PeopleSoft Financials, 3 of 25 users had inappropriate access to correction mode within PeopleSoft HRMS, and 1 system account had access to the ALLPAGES function within PeopleSoft Financials. We recommend EJGH implement a process to review sensitive access to ensure only authorized individuals are granted the access, and there is an associated business need for the level of access.

Status: IN PROCESS. The Hospital made some corrections to user access. In 2009, we noted that 5 of 69 users had inappropriate access.

Management's Response: Management identified and documented access for the PeopleSoft application as part of the SAM review process. EJGH will re-evaluate the needs of the remaining 5 users and make changes as appropriate.

Location of Information Technology Equipment

We understand the Hospital's management is currently evaluating the cost versus the benefit of relocating some of the critical information technology equipment from the ground floor to an elevated location that would be safe from flooding. We commend management for this initiative and recommend the necessary resources be devoted to this very important initiative.

Status: UNRESOLVED.

Management's Response: Management agrees with the need to relocate critical information technology equipment. Management has issued a Request for Quotation to a number of vendors that provide remote hosting services and is committed to relocating as much of the information technology equipment out of the area as feasible.

In addition to the above, we have the following suggestions for your consideration:

Charity Care

The charity care amount for the current year was approximately \$1,200,000, which is only approximately 0.1% of gross revenue and is lower than what we typically see with other hospitals/health systems. We recommend the Organization consider modifying their charity care policy requirements, or be more diligent in ensuring the qualified patients are registered for charity care benefits.

Management's Response: Management acknowledges and agrees to review the processes involved in identifying accounts that would qualify for Charity Care. We will look to see how we can expand the program based on economic and catastrophic needs. We will review with legal to assure any recommendations comply with regulations applicable to service district hospitals. Any proposed changes will be presented to the Board for approval. Management estimates that we will complete within 90 days.

Accounts Receivable, Allowance for Doubtful Accounts

The Hospital estimates its allowance for doubtful accounts by applying percentages to the patient accounts receivable balances. The patient accounts receivable balances included in the allowance calculation are generally disaggregated by payor and by aging category. The percentages applied to each payor, and to each aging category are generally only charged when management believes the economy and other factors may warrant an increase or decrease to the percentages. However, the estimated percentages are not substantiated by detail analysis of actual write-offs. We also understand that once an account balance reaches a certain aging category (e.g. 180 days), that the balance is fully reserved.

We recommend the Hospital update its allowance for doubtful accounts calculations. There are several ways this could be done, including using zero-balance reports to obtain actual historical write-off information. This is similar to the process that management went through during 2009 when some of the contractual adjustment allowance calculations were updated.

Management's Response: Management agrees that improvement is warranted and is taking the following actions. The Reimbursement Director will research and review available "best practices" for estimating allowances for doubtful accounts, combine historical data in conjunction with analysis of current and future market trends and produce a written report to management with recommendations and a detailed plan of action to implement no later than August 1, 2010.

Bond Covenant Compliance

The covenants included in the Hospital's bond agreements state they are to be calculated based on the financial information of the Obligated Group. Certainly East Jefferson General Hospital is a member of the Obligated Group. However, since the last bonds were issued in 2004, the Hospital has several new related organizations, some of which are 100% owned by the Hospital. We recommend the Hospital obtain clarification from bond counsel and/or the insurers of the bonds on the definition of who is included in the Obligated Group and determine whether or not the Hospital's related organizations should be included when calculating covenant compliance.

Management's Response: Management agrees and will clarify with bond covenant and/or insurers of the bonds the definition of "obligated group" by June 1, 2010.

This communication is intended solely for the information and use of management, Audit Committee, Board of Directors and others within the Organization, and is not intended to be and should not be used by anyone other than these specified parties.

McGladrey & Pullen, LLP

Davenport, Iowa
April 29, 2010

LeBlanc, Schmitt, Romig & Healy

Metairie, Louisiana
April 29, 2010

East Jefferson General Hospital and Related Organizations

Single Audit Reporting

12.31.2009

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**Independent Auditor's Report On Compliance With
Requirements Applicable To Each Major Program
And Internal Control Over Compliance In Accordance
With OMB Circular A-133**

Board of Directors
East Jefferson General Hospital
Jefferson Parish, Louisiana

Compliance

We have audited the compliance of East Jefferson General Hospital with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2009. East Jefferson General Hospital's major federal programs are identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs*. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of East Jefferson General Hospital's management. Our responsibility is to express an opinion on East Jefferson General Hospital's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about East Jefferson General Hospital's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of East Jefferson General Hospital's compliance with those requirements.

In our opinion, East Jefferson General Hospital complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2009.

Internal Control Over Compliance

Management of East Jefferson General Hospital is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs.

**East Jefferson General Hospital
and Related Organizations**

**Schedule of Findings and Questioned Costs
Year Ended December 31, 2009**

I. Summary of Independent Auditor's Results:
Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness identified? Yes X No
- Significant Deficiency identified that is not considered to be a material weakness? Yes X None Reported

Noncompliance material to financial statements noted?

 Yes X No

Federal Awards

Internal control over major programs:

- Material weakness identified? Yes X No
- Significant Deficiency identified that is not considered to be a material weakness? Yes X None Reported

Type of auditor's report issued on compliance for major programs: Unqualified

- Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? Yes X No

Identification of major programs:

CFDA Number(s)
97.036

Name of Federal Program or Cluster
Department of Homeland Security Public Assistance Grants

**East Jefferson General Hospital
and Related Organizations**

**Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2009**

Dollar threshold used to distinguish between
Type A and Type B programs \$ 300,000

Auditee qualified as low-risk auditee? Yes X No

II. Findings Related to the Basic Financial Statements:

None

III. Findings and Questioned Costs for Federal Awards:

None

**East Jefferson General Hospital
and Related Organizations**

**Summary Schedule of Prior Audit Findings
Year Ended December 31, 2009**

Prior Years' Findings Related to the Basic Financial Statements:

None

Prior Years' Findings and Questioned Costs for Federal Awards:

None

**East Jefferson General Hospital
and Related Organizations**

**Schedule of Expenditures of Federal Awards
Year Ended December 31, 2009**

<u>Federal Grantor/Pass-Through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>United States Department of Homeland Security</u>			
Pass-Through Awards:			
Federal Emergency Management Agency passed through the State of Louisiana, Office of Homeland Security and Emergency Preparedness			
Disaster Grants - Public Assistance	97.036	FEMA-1603-DR	\$ 2,088,237
Disaster Grants - Public Assistance	97.036	FEMA-1786-DR	174,073
Direct Awards:			
Federal Emergency Management Agency - Special Community Disaster Loans (Note 2)	97.030		-
Total United States Department of Homeland Security			<u>2,262,310</u>
<u>United States Department of Housing and Urban Development</u>			
Pass-Through Awards:			
Community Development Block Grant passed through the State of Louisiana and Jefferson Parish Department of Community Development	14.218	JP1009.5	<u>57,718</u>
Total Federal Assistance Expended			<u>\$ 2,320,028</u>

CFDA = Catalog of Federal Domestic Assistance

See accompanying notes to schedule of expenditures of federal awards.

**East Jefferson General Hospital
and Related Organizations**

Notes to Schedule of Expenditures of Federal Awards

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of East Jefferson General Hospital and related organizations and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

Note 2. Loans Payable to Federal Agency

During 2006 the Hospital borrowed \$61,024,000 in accordance with the federal Special Community Disaster Loan program, which is administered by the Federal Emergency Management Agency (FEMA). The loans bear interest at fixed rates ranging from 2.68% to 3.0%. The loans plus accrued interest mature beginning in January 2011 through September 2011. Subsequent to December 31, 2009, the Hospital applied for forgiveness of these obligations.